The Economist

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The "infinite capacity" of 5G wireless

Syria's wars within wars

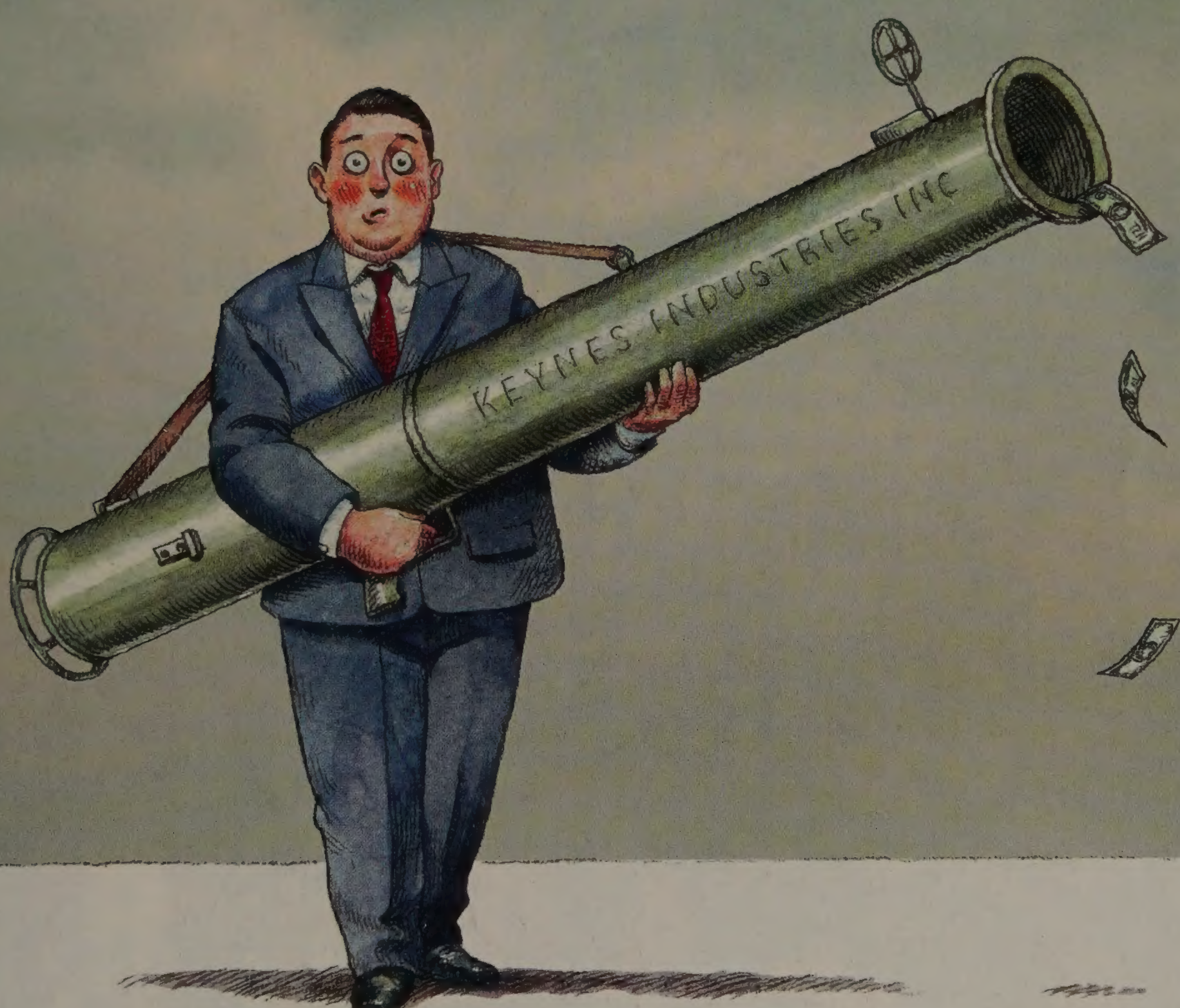
The fight over Scalia's empty seat

Junta to Thais: smile or else

The long, cruel rule of the Romanovs

THE WORLD ECONOMY

Out of ammo?

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Contents

On the cover
Central bankers are running down their arsenal. But other options exist to stimulate the economy: leader, page 9. Policymakers in rich economies need to consider radical remedies for the next downturn, pages 16-19. A vital chunk of the world economy is beset by weakness, page 62. Central bankers have failed to convince their sceptical audiences: Free exchange, page 69

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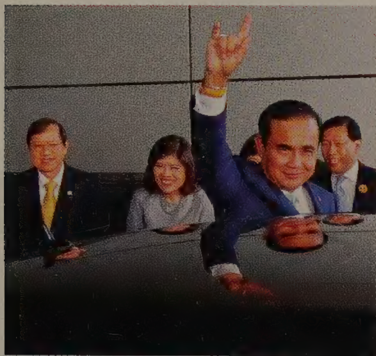
Antonin Scalia The Supreme Court's most outspoken conservative died this week: Obituary, page 82. The Senate should give Barack Obama's nominee for the court a fair hearing: leader, page 10. The battle to come will reflect a court divided over ideology as never before, page 21

Trump The presidential candidate's business affairs are an enigma, page 26. Can the other billionaire, Michael Bloomberg, reform two-party politics? Lexington, page 28

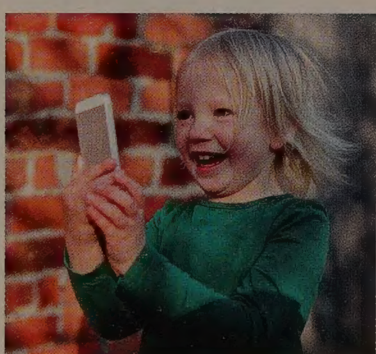
Syria Russian daring and American weakness have changed the course of the war in Syria—for the worse: leader, page 11. Russian bombers have brought the Assad regime within sight of victory, but the bloodshed and the dangers are growing, page 39. Two visitors remember a vanished country, page 75

» Contents continues overleaf



The junta and the Thais The generals who seized power have come up with a new plan for saving their country from democracy, page 32

Old age China is ill-prepared for a terrible consequence of its ageing population: the rise of dementia, page 36



The promise of 5G A new wave of mobile technology is on its way, and it will bring dramatic change, page 53

The Romanovs Their story of hereditary power is lubricious and cruel, page 73

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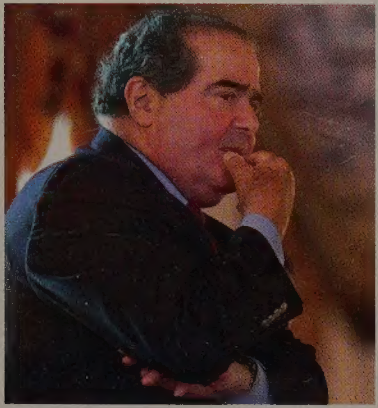
Politics



Tributes were paid to **Antonin Scalia**, one of the justices on America's Supreme Court, who unexpectedly died while holidaying in Texas. The political bickering over replacing him was less dignified. Barack Obama said he would nominate a successor to the conservative Mr Scalia. That person would need to be confirmed by the Senate. Republicans argued for a delay until the next president takes office in 11 months' time, undoubtedly in the hope that he will be one of their own.

A federal judge in **California** ordered Apple to help unlock the iPhone used by one of the Islamists who attacked an office party in San Bernardino last December, killing 14 people. The FBI wants Apple to disable the password feature. But the company is not complying, arguing that building the software to unlock the phone "would undeniably create a backdoor" to its encryption protocols and give the government "power to reach into anyone's device to capture their data".

Wait and see

Trucks carrying aid entered several besieged towns in **Syria**, including the rebel-held town of Muadhamiya, near the Syrian capital, Damascus. This came ahead of a planned "cessation of hostilities" in Syria's war, thrashed out by America and Russia in Munich. No one expects the ceasefire to take hold.

Members of opposition parties in the **Democratic Republic of Congo** went on strike to protest against efforts by Joseph Kabila, the president, to run for a third term in office.

Crunch time

Britain was on the brink of agreeing on new terms for its membership of the EU at a summit on February 18th and 19th, clearing the way for a referendum in June. David Cameron, the prime minister, was confident of securing a deal in Brussels, but Eurosceptics back home were poised to criticise whatever emerged from the talks.

The European summit would also tackle the refugee crisis. **Austria** set a daily cap of 3,200 migrants whom it will allow to cross its borders. It also tightened border controls with countries in the Balkans that migrants cross to reach Austria. Many then travel on to Germany and Sweden.

Turkey's prime minister, Ahmet Davutoglu, cancelled a visit to Brussels after a bomb in Ankara, the Turkish capital, killed at least 28 people. The device was detonated close to the defence ministry as an army bus was passing by. Turkey blamed Kurdish rebels.

Russia filed a lawsuit in a court in London to try to get **Ukraine** to repay a $3 billion bond. Ukraine says that Russia has refused to take part in negotiations over restructuring the debt. Meanwhile Ukraine's prime minister, Arseniy Yatsenyuk, survived a vote of no confidence in parliament after the country's president, Petro Poroshenko, called on him to step down, ostensibly over the slow pace of reforms. The economy minister recently resigned and blamed Mr Poroshenko for hindering reform.

Obama to Havana

Barack Obama is expected to visit **Cuba** in March. His visit will be the first by an American president to the island since Calvin Coolidge went in 1928. Since December 2014 the United States has eased its embargo on Cuba and the two countries have restored diplomatic relations. This week they signed an agreement that will allow scheduled flights between the two countries to resume after an interruption of more than 50 years.

In **Mexico** 49 inmates at the Topo Chico prison in Monterrey, the capital of the state of Nuevo León, were killed in fighting between factions of the Zeta drug gang. The jail was overcrowded and understaffed, but in some cells investigators found portable saunas, air conditioners and other luxuries.

Pope Francis paid a visit to Mexico. He ended his trip in Ciudad Juárez, near the United States border, where he highlighted the plight of migrants and visited a jail.

Nicolás Maduro, **Venezuela's** president, raised petrol prices—the first time they have gone up in 20 years—devalued one official exchange rate for the bolívar and said another would be allowed to float. Even after a 60-fold increase in its price, Venezuela's petrol will still be the cheapest in the world. Meanwhile, Luis Salas left his job as Venezuela's economic tsar after just six weeks. He had unconventional views, such as holding that inflation is caused by unscrupulous capitalists.

Sea power

Both America and Taiwan alleged that China has placed surface-to-air missiles on the **South China Sea's** Woody Island, which is claimed also by Taiwan and Vietnam. If true it would heighten military tensions in the disputed sea, through which a third of world trade passes. China's foreign minister, Wang Yi, called the allegation an invention of the Western media.

China decided to move more than 9,000 people to prevent electromagnetic interference with the world's largest radio telescope, which will start to operate later this year in the south-western province of Guizhou. Chinese scientists involved in the project told the country's state-owned news agency that the instrument would help in the search for intelligent life elsewhere in the universe.

Britain said that the disappearance of a bookseller in **Hong Kong**, presumed to have been abducted by Chinese security agents, amounted to a "serious breach" of an agreement reached between China and Britain in 1984 on the handover of the colony to Chinese rule. The bookseller, Lee Bo, is a British citizen. Four of his colleagues are also believed to have been snatched while visiting Thailand and the Chinese mainland. China has confirmed it is detaining them.

In **India** a student leader, Kanhaiya Kumar, who was arrested after protesting in 2013 against the hanging of a Kashmiri militant, was charged with sedition under a colonial-era law. Academics, students and others staged demonstrations, saying the charges were unreasonable. A former university lecturer has also been arrested for sedition.

Sindh became the first ever province in **Pakistan**, an Islamic republic, to give Hindus the right officially to register their marriages. The aim is to protect the country's 3m Hindus. Women of that faith have been vulnerable to forced conversions and abductions, with widows left especially unprotected.

Business

In a surprise accord, Saudi Arabia and Russia said they would freeze **oil production** at January's levels in an effort to boost prices, which fell to below $30 a barrel last month. It was the first pact between OPEC and non-OPEC oil producers for 15 years, but it is contingent upon other large suppliers agreeing to do the same. Kuwait, Qatar, the United Arab Emirates and Venezuela signed up to the deal, but there were doubts that Iraq and Iran, which has only just returned to international oil markets after sanctions were lifted, would join in. Oil stockpiles are at record levels, and producers are still pumping out over 1m barrels of oil a day more than the world wants.

Staying power

After months of holding out the threat of moving its headquarters to Hong Kong, **HSBC** decided to remain in London following a review. The bank makes most of its profit in Asia, and like other British banks it is subject to a tax on its global balance-sheets. But London's political stability, plus a recent easing of the regulatory burden, kept HSBC in Britain.

Investors responded positively to the announcement by **Crédit Agricole** that it will simplify its corporate structure, which has hitherto been criticised for dragging down its market valuation. The French bank is to sell the 25% stake it holds in its regional lenders back to them, reduce its retail-banking business and focus on asset management and investment banking. Philippe Brassac, its chief executive, said the plan would end the "unbearable paradox" of lingering doubts about the bank's structure, despite its sufficient capital.

China's exports fell by 11% in January (in dollar terms) compared with the same month last year; imports were down 19%. Both figures were much worse than had been expected and underscored worries about the extent of the slowdown in China.

Performance review

Japan's economy contracted again in the fourth quarter of 2015, shrinking by an annualised 1.4%. It grew by just 0.4% for the whole year. The government blamed a warm winter for a sharp decline in consumption, but economists point to anaemic wage rises for the spiritless spending and investment. The central bank has embarked on a big programme of stimulus, recently introducing negative interest rates for the first time.

Britain's headline annual **inflation** rate rose slightly to 0.3%, still well below the Bank of England's 2% target, which it now thinks won't be reached until early 2018. Greece, meanwhile, slipped back into deflation, as consumer prices fell by 0.1% in January (on the European Union's harmonised measure).

Apple launched a $12 billion sale of bonds to help fund its share buy-back programme. Among the tranches of debt it is selling is its first seven-year "green" bond, the proceeds of which will go towards reducing the company's "impact on climate change" and other environmental projects.

Anglo American presented a restructuring plan. The mining company is to sell assets in coal and iron ore—the prices of which have slumped as demand in China has dropped—and concentrate on copper, diamonds and platinum. Its workforce will shrink from 130,000 to 50,000 (the bulk of the jobs will be transferred to the new owners of the assets). Last year the company suffered a $5.5 billion pre-tax loss and debt rose to $13 billion. The day before Anglo announced its strategy, Moody's cut its credit-rating to "junk". Fitch did the same the day after the announcement.

Bombardier is to shed 7,000 jobs. The Canadian maker of planes and trains has struggled to find buyers for its CSeries passenger jets and has needed funding from the government in Quebec, where it is based. On the day it announced the job losses it said it had signed a "letter of intent" to build 45 aircraft for Air Canada, with options for an extra 30.

In one of the biggest leveraged buy-outs in recent years, **Apollo**, a private-equity firm, said it would take over **ADT**, which provides security and fire-safety systems to homes and small businesses, in a transaction valued at $15 billion. Until 2012 ADT was owned by Tyco, which recently announced that it is to merge with Johnson Controls in a $20 billion deal.

A tender moment

The demise of **high-denomination banknotes** drew ever closer. Larry Summers, a former secretary of the US Treasury, this week called for the $100 bill to be withdrawn from circulation. In Europe Mario Draghi, the president of the European Central Bank, told lawmakers there was a clear case for getting rid of the €500 ($560) note, colloquially known as "the Bin Laden" because of the proclivity of criminals and terror groups to use them.

Other economic data and news can be found on pages 80-81

Out of ammo?

Central bankers are running down their arsenal. But other options exist to stimulate the economy

WORLD stockmarkets are in bear territory. Gold, a haven in times of turmoil, has had its best start to a year in more than three decades. The cost of insurance against bank default has surged. Talk of recession in America is rising, as is the implied probability that the Federal Reserve, which raised rates only in December, will be forced to take them back below zero.

One fear above all stalks the markets: that the rich world's weapon against economic weakness no longer works. Ever since the crisis of 2007-08, the task of stimulating demand has fallen to central bankers. The apogee of their power came in 2012, when Mario Draghi, boss of the European Central Bank (ECB), said he would do "whatever it takes" to save the euro. Bond markets rallied and the sense of crisis receded.

But only temporarily. Despite central banks' efforts, recoveries are still weak and inflation is low. Faith in monetary policy is wavering. As often as they inspire confidence, central bankers sow fear. Negative interest rates in Europe and Japan make investors worry about bank earnings, sending share prices lower. Quantitative easing (QE, the printing of money to buy bonds) has led to a build-up of emerging-market debt that is now threatening to unwind. For all the cheap money, the growth in bank credit has been dismal. Pay deals reflect expectations of endlessly low inflation, which favours that very outcome. Investors fret that the world economy is being drawn into another downturn, and that policymakers seeking to keep recession at bay have run out of ammunition.

Bazooka boo-boo

The good news is that more can be done to jolt economies from their low-growth, low-inflation torpor (see pages 16-19). Plenty of policies are left, and all can pack a punch. The bad news is that central banks will need help from governments. Until now, central bankers have had to do the heavy lifting because politicians have been shamefully reluctant to share the burden. At least some of them have failed to grasp the need to have fiscal and monetary policy operating in concert. Indeed, many governments actively worked against monetary stimulus by embracing austerity.

The time has come for politicians to join the fight alongside central bankers. The most radical policy ideas fuse fiscal and monetary policy. One such option is to finance public spending (or tax cuts) directly by printing money—known as a "helicopter drop". Unlike QE, a helicopter drop bypasses banks and financial markets, and puts freshly printed cash straight into people's pockets. The sheer recklessness of this would, in theory, encourage people to spend the windfall, not save it. (A marked change in central banks' inflation targets would also help: see Free exchange, page 69.)

Another set of ideas seek to influence wage- and price-setting by using a government-mandated incomes policy to pull economies from the quicksand. The idea here is to generate across-the-board wage increases, perhaps by using tax incentives, to induce a wage-price spiral of the sort that, in the 1970s, policymakers struggled to escape.

All this involves risks. A world of helicopter drops is anathema to many: monetary financing is prohibited by the treaties underpinning the euro, for example. Incomes policies are even more problematic, as they reduce flexibility and are hard to reverse. But if the rich world ends up stuck in deflation, the time will come to contemplate extreme action, particularly in the most benighted economies, such as Japan's.

Elsewhere, governments can make use of a less risky tool: fiscal policy. Too many countries with room to borrow more, notably Germany, have held back. Such Swabian frugality is deeply harmful. Borrowing has never been cheaper. Yields on more than $7 trillion of government bonds worldwide are now negative. Bond markets and ratings agencies will look more kindly on the increase in public debt if there are fresh and productive assets on the other side of the balance-sheet. Above all, such assets should involve infrastructure. The case for locking in long-term funding to finance a multi-year programme to rebuild and improve tatty public roads and buildings has never been more powerful.

A fiscal boost would pack more of a punch if it was coupled with structural reforms that work with the grain of the stimulus. European banks' balance-sheets still need strengthening and, so long as questions swirl about their health, the banks will not lend freely. Write-downs of bad debts are one option, but it might be better to overhaul the rules so that governments can insist that banks either raise capital or have equity forced on them by regulators.

Deregulation is another priority—and no less potent for being familiar. The Council of Economic Advisors says that the share of America's workforce covered by state-licensing laws has risen to 25%, from 5% in the 1950s. Much of this red tape is unnecessary. Zoning laws are a barrier to new infrastructure. Tax codes remain Byzantine and stuffed with carve-outs that shelter the income of the better-off, who tend to save more.

It's the politics, stupid

The problem, then, is not that the world has run out of policy options. Politicians have known all along that they can make a difference, but they are weak and too quarrelsome to act. America's political establishment is riven; Japan's politicians are too timid to confront lobbies; and the euro area seems institutionally incapable of uniting around new policies.

If politicians fail to act now, while they still have time, a full-blown crisis in markets will force action upon them. Although that would be a poor outcome, it would nevertheless be better than the alternative. The greatest worry is that falling markets and stagnant economies hand political power to the populists who have grown strong on the back of the crisis of 2007-08. Populists have their own solutions to economic hardship, which include protectionist tariffs, windfall taxes, nationalisation and any number of ruinous schemes.

Behind the worry that central banks can no longer exert control is an even deeper fear. It is that liberal, centrist politicians are not up to the job. ■

The South China Sea

Sunnylands and cloudy waters

China's bullying in the South China Sea must not be allowed to pay off

THAT China has lifted so many out of poverty and become so powerful so quickly is remarkable. No less remarkable is how America, the incumbent superpower, has mostly treated China's rise less as a threat than an opportunity. However, in the South China Sea, through which about 30% of the world's trade passes, China risks jeopardising this benign arrangement. Its behaviour there disdains international law, scares its neighbours and heightens the danger of conflict with some of them and with America itself. Recalling its own slogans about stability and peace, it should back off.

The latest provocation is the apparent installation on Woody Island in the Paracel archipelago, south of Hainan, of two launch batteries for surface-to-air missiles. China has not clearly denied this dangerous military escalation, talking instead of its right to "limited and necessary self-defence facilities". The Paracels are also claimed by Vietnam and Taiwan. China insists that virtually all the sea belongs to it, citing historical apocrypha.

It has been building frenetically in the Spratly islands, to the south, creating artificial land on rocks and reefs also claimed by the Philippines, Taiwan and Vietnam. The construction, like the missiles, flouts the spirit of a declaration China signed in 2002 with the Association of South-East Asian Nations (ASEAN), in which the parties promised to "exercise self-restraint" in the sea. China has also refused to accept the jurisdiction of a tribunal in The Hague which is adjudicating a case on its claims brought by the Philippines under the UN Convention on the Law of the Sea. If, as seems likely, the tribunal later this year finds in the Philippines' favour on some counts, China will ignore it. This is not the global "responsible stakeholder" that America had hoped China would become.

Two factors may have prompted China to deploy missiles. News of them came as Barack Obama was playing host at the Sunnylands ranch in California to an unprecedented summit of leaders from all ten ASEAN members, four of which dispute land features in the sea with China. The summit was intended in part to show America's solidarity with them. China sees this as a ruse to embolden its neighbours to stand up to it, and so as part of a broader American strategy to contain it.

Second, America late last year resumed "freedom of navigation" operations in the South China Sea, twice sending warships to sail through waters claimed by China. This seemed a belated attempt to show that, whoever owns the specks of land and rock in the sea, most of its waters under international law belong to no country and are open to navigation of all types. Regrettably America has muddied this message, by confirming that both operations were conducted as "innocent passage", ie, under a provision of the Law of the Sea allowing even warships to sail unthreateningly through another country's territorial waters. China seems to find the exercises provocative enough to try to deter America from further sorties—or perhaps they provide a useful pretext.

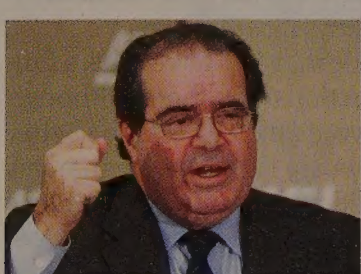
The campaign season

China may calculate that now is the time, in the final months of an American presidency it sees as weak and averse to confrontation, to create facts in the water that will give it an irreversible grip on the sea. So rather than yield to Chinese intimidation, America should continue to assert the freedom of navigation and overflight, and do so less ambiguously. Its friends in the region, habitually scared of upsetting China, should give it more full-throated support. It is in none of their interests to see the South China Sea, with its important shipping lanes, become a South China Lake. ■

America's Supreme Court

After Scalia

The Senate should give Barack Obama's nominee for the Supreme Court a fair hearing



THE death of Antonin Scalia deprives America of a brilliant legal mind and a puckish wit (see our obituary on page 82). He poked fun not only at lawyers arguing before him, but also at himself. Asked for the secret of his long marriage, the father of nine quipped how his wife had made it clear "that if we split up, I would get the children." The debate about how to replace Justice Scalia, by contrast, looks set to be crass, intellectually dishonest and not even slightly amusing.

The departure of a Supreme Court justice is always momentous; Mr Scalia's is doubly so. He was the court's conservative heavyweight, whose eloquence and logic inspired his allies and forced his opponents to sharpen their arguments. His absence leaves the court balanced between its conservative and liberal wings. His replacement will tilt it one way or the other, perhaps for many years. And this is election season. Small wonder that a power struggle has erupted over the process of picking a new justice (see page 21).

Barack Obama has promised to nominate a successor soon. That person would need to be confirmed by the Senate, but Mitch McConnell, leader of the Republican majority, says that no one should be appointed until after the inauguration of the next president in January 2017. He argues that voters should ▸▸

have their say—meaning that he hopes there will be a Republican president. It is a nakedly partisan and irresponsible argument. Following it would leave the court deadlocked for a whole year, at a time when many urgent cases are pending. It would also set a terrible precedent: if the Senate can refuse to hear a nominee almost a year before a president's term is up, then why not two years before? Or longer?

Mr McConnell's party is in the grip of a fever, whose symptoms include Donald Trump, which attacks any Republicans who play by the old rules. This is the opposite of conservatism, which holds that long-established customs and institutions are likely to be superior to anything that could be drawn up from scratch. Mr McConnell would no doubt reply that he is defending America from a lawless president, who rides roughshod over the legislature by issuing executive orders. Republicans dispute, among other things, the legality of two of the president's proudest recent achievements: stays to the deportation of illegal immigrants and the regulation of power stations to reduce carbon-dioxide emissions. Both actions would doubtless be upheld if Mr Obama were allowed to put whomever he liked in Mr Scalia's vacant seat. But even if the Republicans are right about these cases, that would still not justify the Senate refusing to consider any nominee at all.

The text of the constitution is admirably clear. The president has the power to nominate federal judges, with the "advice and consent" of the Senate. In other words, Mr Obama should pick a candidate, the Senate should grill him and, if it dislikes what it finds, it can demand that someone else be put forward, until the vacancy is filled. If Mr Obama is wise, he will propose someone sufficiently moderate for at least some Republicans to back his choice. If a qualified jurist appears reasonable during televised hearings and Republicans reject him willy nilly, voters can punish them for it in November.

A court with too much power

So much for the process. What about the court itself? You do not have to take Mr Scalia's "originalist" view of the constitution to be troubled by the power wielded by the modern court. Its influence has grown partly because judges have substituted their own policy preferences for the written law, but more often because legislators have failed to do their job. Sometimes they write incomprehensible laws which the courts must unscramble (eg, Obamacare). Sometimes they hand hard questions over to judges because they would rather not take responsibility for resolving them (eg, gay marriage).

If judges are to have such power, they should not enjoy life tenure. Rather, they should be appointed for fixed terms, staggered so that a single president cannot pack the court. Under today's rules, good nominees are routinely passed over if they are over 60, incumbents never retire while a president they oppose is in office and confirmation battles are needlessly ideological. Alas, term limits require a constitutional amendment, which will not happen. So this fight over Mr Scalia's replacement will only make the next one more brutal. ■

War in Syria

The peril of inaction

Russian daring and American weakness have changed the course of the war—for the worse

IN A war as ugly as the one in Syria, several bleak lessons stand out: the longer it goes on, the bloodier it gets, the more countries are sucked into the vortex and the more unpalatable become the options to stop, or at least contain, the fighting. But perhaps the biggest lesson is how America's absence creates a vacuum that is filled by dangerous forces: jihadists, Shia militias and now an emboldened Russia.

Syria is a nasty complex of wars within a war: an uprising against dictatorship; a sectarian battle between Sunnis and Alawites (and their Shia allies); an internecine struggle among Sunni Arabs; a Kurdish quest for a homeland; a regional proxy war pitting Saudi Arabia and Turkey against Iran; and a geopolitical contest between a timid America and a resurgent Russia.

Into this blood-soaked mess, Vladimir Putin has thrust himself on the side of Bashar al-Assad and the Shia axis. His air power has transformed the battlefield. Pro-Assad forces have cut off a vital corridor that resupplied rebel-held parts of Aleppo from Turkey. Mr Assad is on the point of encircling what was once Syria's biggest city. Refugees are again pressing on Turkey's borders, but many will stay put. In the diplomatic dance over ceasefires, humanitarian relief and a political settlement, Russia is now setting the terms, much as America did after intervening in the Balkan wars of the 1990s. Barack Obama's policy in Syria—to wish that Mr Assad would go, without willing the means to get him out—has been wretched. Mr Assad, it seems, will outlast Mr Obama. But the war will not end. Indeed, it has taken a turn for the worse.

Turkey is being sucked deeper into the maelstrom. It has started systematically shelling Syrian Kurds. It bundles them together with the Turkish Kurds, who have rashly resumed their decades-old insurgency inside Turkey. Yet the Kurds have been America's best allies against the "caliphate" of Islamic State (IS). Recently they have tilted towards Russia and Mr Assad, helping sever the corridor to Aleppo in an attempt to merge the two Kurdish enclaves along the border with Turkey.

In support of Turkey, Saudi Arabia has deployed military aircraft. It has announced war games at home involving Sunni partners such as Egypt, Morocco and Pakistan. The Saudis have offered to send special forces into Syria with American ones, ostensibly to fight IS. Diplomats talk of a return to "Charlie Wilson's War", the operation by America, Saudi Arabia and Pakistan to give Stinger missiles to Afghan groups fighting Soviet forces in the 1980s. Would Saudi Arabia now give Sunni groups anti-aircraft weapons to neutralise Russian air power?

Most alarming is the risk of war between Turkey and Russia. In November Turkey shot down a Russian jet; Russia wants revenge and an opportunity to split the irascible Turkish president, Recep Tayyip Erdogan, from his NATO allies. It has conducted "snap exercises" in southern Russia (see page 39).

So Syria poses growing dangers to the West: that anti-air- ▸▸

craft missiles will proliferate, allowing jihadists to use them on Western planes; that countries such as Lebanon and Jordan will falter; that another flood of refugees will destabilise the European Union; that NATO could stumble into a war with Russia; that Mr Putin will be spurred to challenge the West elsewhere; and that he will inspire autocrats everywhere.

Reaping the whirlwind

The West should urge restraint on the Turks and Saudis: the risks of war with Russia and of jihadist blowback are too high. America should try to persuade its Turkish and Kurdish friends to accommodate rather than fight each other. For its wishes to carry weight, though, America must do more in Syria. If Mr Assad and Russia succeed in turning the war into a choice between the regime and the worst jihadists, it would be a disaster. Most Syrians are Sunni and many of them will never be reconciled to Mr Assad. If mainstream groups are crushed, they will be driven either into Europe or into the arms of the jihadists. Non-jihadist Sunnis therefore need support.

The tragedy of Mr Obama's feebleness is that actions that were once feasible—establishing a no-fly zone or creating safe areas—now carry the risk of a clash with Russia. Undeclared humanitarian zones may still be possible. Mr Obama's best response would be to take his own policy seriously: create a moderate force to push back the caliphate in eastern Syria. This would involve Sunni states; it would give moderate rebels a hinterland from which to establish the nucleus of an alternative government under existing American air cover; and it would call Russia's bluff about fighting the jihadists.

The West will have to press Russia, starting with the renewal of EU sanctions this summer. Mr Putin has made canny use of force. The West's response need not be limited to Syria. ■

Reforming FIFA

SEC as a parrot

Clean up football's governing body with a dose of stockmarket scrutiny

EVERY so often, organisations become bywords for something else. Apple means elegance, Berkshire Hathaway loyalty and BlackBerry decline. Alas, FIFA, the governing body of world football, spells corruption. Sprucing up this most tarnished of brands will take more than a bit of tinkering with the way FIFA is run.

On February 26th FIFA's member associations will hold a secret ballot—what else?—in Zurich to choose a new president who will replace Sepp Blatter. The omens are not good. Mr Blatter bequeathed his successor an organisation in crisis. His fifth term was cut short after the indictment last year of several of the game's biggest-wigs for alleged money-laundering. He has since been suspended from football for eight years for making an undocumented SFr2m ($2.1m) payment to Michel Platini, then head of Europe's football body. (Mr Platini, once a favourite to succeed Mr Blatter, has also been suspended from the game; both men deny wrongdoing.)

The five candidates left to vie for the top job talk warmly of the need for term limits and better disclosure. But a radical reform would start with an idea put forward by Stefan Szymanski, a sports economist, among others—turning FIFA into a public company. For good measure, the new, cleaner FIFA would be listed in New York.

A public listing would have several benefits. The first is that the level of transparency would shoot up. Scandals afflict listed firms too, but one thing you do not hear from executives at public companies is complaints about the absence of scrutiny.

For FIFA to be under the referee's beady eye would be precisely the point. According to its annual report, an organisation with just 474 employees spent an impressive $115m on personnel expenses in 2014. A listing would require FIFA to break out how much its executives get. They might expect to face questions from shareholders about the $35m they spent on meetings expenses that year, too.

Opening FIFA to America's justice system would also have a salutary effect. The reach of the Department of Justice and the FBI is already long: they were behind indictments in 2015 that eventually dethroned Mr Blatter. But a listing in America would bring some of the world's most enthusiastic law-enforcers to the organisation's door. In particular, it would make FIFA subject to the Foreign Corrupt Practices Act. Given the allegations that still swirl around the award of the 2018 and 2022 World Cups to Russia and Qatar, seeking a home with a punitive anti-bribery regime would send a clear statement.

Becoming a public company would also formalise and sharpen FIFA's incentives to make as much money as it can through legitimate means. Of the $5.7 billion in revenue that FIFA pulled in between 2011 and 2014, the biggest chunk was from the sale of television rights for the 2014 tournament in Brazil. More revenue—from the sale of broadcasting, marketing and licensing rights to World Cups—and tighter cost control ought to be enough both to keep shareholders happy and also to raise money to foster grassroots initiatives worldwide. The profit motive would also encourage faster development of the women's World Cup.

Fantasy football

The beautiful game should not be handed to Wall Street without safeguards. To protect FIFA's mission to develop football, a portion of revenues would have to be ring-fenced for distribution to its member associations, perhaps by a separate charitable arm (which would also be responsible for the rules of the game). To ensure that some private-equity baron doesn't take FIFA over and load it up with debt, this charitable arm would need to retain majority voting rights over the listed firm. That would still leave plenty of scope for shenanigans as money sloshed between FIFA and football's member associations. But it would also ensure that FIFA received harsher scrutiny.

Sadly, not one of the candidates vying to take over from Mr Blatter is likely to countenance a listing in New York. But when you judge their promises to restore FIFA's integrity, that should be the yardstick. ■

YOU CAN'T BUILD THE BUSINESS OF TOMORROW ON THE NETWORK OF YESTERDAY.

It's no secret: business has changed—in every way, for every business. Modern technologies have brought new opportunities and new challenges, like BYOD and a mobile workforce, that old networks just weren't built for. While demand on these networks has increased exponentially, networking costs have skyrocketed and IT budgets haven't kept pace.

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Coping with refugees

Together with Sweden and Germany, Austria is shouldering most of the burden in Europe's refugee crisis ("How to manage the migrant crisis", February 6th). There are 8.5m people living in Austria. Last year alone, 90,000 refugees came here. This year Austria has established a ceiling of 37,500 refugees. As responsible politicians we are tasked with keeping our social system alive. This system will be put at risk if we do not establish parameters. In 2016 we will probably spend over €1 billion ($1.1 billion) on refugees.

Austria has a long tradition of humanitarian assistance. Our country was exemplary in its willingness to help after the second world war and has offered protection to those who were forced to flee wars and political persecution. In 1956, in the wake of the uprising in Hungary, 180,000 people found shelter in our country. In the course of the Prague Spring in 1968, we took in 162,000 refugees. In 1992, 90,000 people from the former Yugoslavia sought security in Austria. The current refugee situation however, presents this republic with the most difficult task it has had to cope with.

REINHOLD LOPATKA
Chairman of the Austrian People's Party in parliament
Vienna

In Denmark most migrants from the Middle East and Africa are unemployed and live in parallel communities that are predominantly Muslim. Many would be willing to work for less than the minimum wage, but this is not acceptable to the powerful cartel of Danish employers and unions. Economists have calculated that migrants make a negative contribution of DKr11 billion ($1.6 billion) a year. To make the migrant contribution neutral, we would have to create 46,000 jobs by 2020. This is completely unrealistic given the Danish tradition of putting migrants on the dole.

ANDRÉ ROSSMANN
Copenhagen

The Economist has persistently championed Angela Merkel's position. But it is her unilateral action of accepting 1m refugees in Germany without consulting her EU neighbours, her own voters, or her own governing coalition, that has prompted this negative reaction. The enormous sums of money now being promised to Turkey should have been spent long ago in building border controls and screening systems in Greece and Italy.

"The situation today is a mess", you argue. It is worse than that; it has discredited EU ideals of co-operation, and strengthened those who say it is an undemocratic, out-of-touch bureaucracy, incapable of governing efficiently in the interests of its citizens.

IAN GLOVER-JAMES
London

You've got to be in it to win it

Fifteen hundred years of history can tell us what Britain's European policy ought to be ("The accidental Europhile", February 6th). The United Kingdom should stay in the EU and share in the power of 500m people. Britain should lead a beautiful revolution (to quote Karl Marx in a good mood) to make the EU become what it could be.

PHILIP ALLOTT
Professor emeritus of international public law
University of Cambridge

Storing brains

We read your piece on cryogenically storing organs with interest ("Wait not in vain", February 6th), but thought it contradictory to say that organ banking is within reach whereas preserving a brain is "fantasy". There is a growing body of evidence that today's technology may preserve a brain, though without future technology it cannot yet be revived. Importantly, the remaining challenges of brain preservation such as ice and cryoprotectant control are the same as for cryobanking other organs.

There has always been an initial bias against unconventional concepts. In vitro fertilisation, heavier-than-air flight and interplanetary space travel were all thought impossible. Organ transplantation itself was at first perceived as something out of "Frankenstein". We should not arbitrarily curb the progress in preserving organs. Scientific inquiry should be critical while also receptive and non-judgmental.

RAMON RISCO
Director of the CryoBioTech Lab
University of Seville
PROFESSOR DAVID CRIPPEN
Departments of Critical Care Medicine and Neurological Surgery
University of Pittsburgh

Nothing more than feelings

"A world of hurt" (February 6th) described how easily the rulers of China takes offence. But this is not only the case in diplomacy; the Chinese people are oversensitive, too. Decades of propaganda have instilled an impervious sense of nationalism. Many still believe almost everything the party says, especially when it comes to history, sovereignty, human rights, etc. The "hurt feelings" in response to actions by America and Japan may be a government invention, but the people have internalised those same feelings.

JIM JIANG
Hong Kong

Always waiting for next year

Even the most casual American-football fan would find it amusing to describe the Cleveland Browns as "a successful team" ("If the game goes against you", February 6th). The Browns haven't advanced to the playoffs since 2002. If the NFL had a European-style relegation system, they would have been banished to the lower divisions long ago.

CHAD PANKRATZ
Seattle

The Browns play in a stadium known as the Factory of Sadness. Their struggles are so mighty that their entire history has been summed up in just three words: God hates Cleveland. Your article on its owners' woes adds a sardonic log to the epic dumpster fire of a team whose home city's biggest river once caught fire from toxic waste. Cleveland is the only city that we native Detroiters can legitimately pity.

JULIAN SWEARENGIN
New York

Political millennials

Your leader on young people ("Young, gifted and held back", January 23rd) laid out the difficulties we face today. But by calling on the young to vote because "it is not enough for the young to sign online petitions" you fall into the trap of preaching to "apathetic" youth. The young have never been so politically engaged. They boycott products, support referendums on issues they care about and, yes, they are very active online. The reason they don't vote is a lack of trust in politics, which they see as unresponsive. Only 0.5% of MPs among Europe's parliaments are under 30. For us, the political system is outdated. We want a more participative form of democracy.

JOHANNA NYMAN
President
European Youth Forum
Brussels

I am reminded of a greetings card our daughter once sent to us, which read "Be nice to your kids—they choose your nursing home".

RICHARD SLADDEN
St Aubin Le Monial, France ■

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The aim of the Wim Duisenberg Research Fellowship Programme, which was established in 2006, is threefold:

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Further information about the programme may be obtained from Luc Laeven, Director General Research, on +49 69 1344 8834, or by sending an e-mail to Luc.Laeven@ecb.europa.eu

Unfamiliar ways forward

Policymakers in rich economies need to consider some radical approaches to tackling the next downturn

AT THE start of most years in the past decade, the list of worries about the world economy has seemed longer than that of reasons for hope. The first few weeks of 2016 have upheld this new tradition. Many emerging markets are wrestling with excessive debts, slow growth, plunging currencies and rising inflation. China, the world's second-largest economy, is a source of a peculiarly intractable anxiety. If its growth falters, it stokes worries about the prospects for other emerging markets; if activity holds up, though, concerns shift to the ever-rising debt that makes such feats possible, but not necessarily sustainable. The euro area's troubles are no longer acute; but a chronic condition with an uncertain prognosis is a hard thing from which to take much cheer.

The one big hope has tended to be the American economy. Some indicators there remain robust. The housing market shows few signs of weakness. New jobs are still being added. But despite this, signs of impending recession are now piling up. Economic growth seems to have stalled in the final quarter of 2015. Corporate profits are falling. Stock levels are above normal. Lending standards on bank loans to big firms have tightened, according to the Federal Reserve. A closely watched index from the Institute for Supply Management (ISM) shows that activity in manufacturing fell for the fourth consecutive month in January (see page 62). The malaise is not confined to factories: the ISM non-manufacturing index is at its lowest for almost two years.

The growing anxiety is mirrored in financial markets. Stockmarket indexes have fallen, dragged down in particular by bank stocks, which have lost 16% of their value (in America) since the start of the year. America's economy is not strong enough to buoy the world economy up; it may not even be strong enough to keep itself afloat.

Pessimism among investors reflects not just the indicators pointing towards recession. There is a deeper concern that, if or when that recession comes, policymakers will have very few options for dealing with it. Short-term interest rates are close to zero in most of the rich world. The scope for adding further pep through quantitative easing, (QE, the purchase of government bonds using central-bank money) is limited. Long-term interest rates are already low; driving them lower with another round of QE is unlikely to invigorate aggregate demand much more. Tax cuts or increases in public spending could still be effective in fighting recession. But investors worry that there is little scope or appetite for financing a fiscal stimulus with yet more debt. Public debt in America rose from 64% of GDP in 2008 to 104% by 2015; in the euro area, it rose from 66% to 93%; in Japan, from 176% to 237%.

If policymakers appear defenceless in the face of a fresh threat to the world economy, it is in part because they have so little to show for their past efforts. The balance-sheets of the rich world's main central banks have been pumped up to between 20% and 25% of GDP by the successive bouts of QE with which they have injected money into their economies (see chart 1 on next page). The Bank of Japan's assets are a whopping 77% of GDP. Yet inflation has been persistently below the 2% goal that central banks aim for. In America, Britain and Japan, unemployment has fallen close to pre-crisis levels. But the productivity of those in work has grown at a dismal rate, meaning overall GDP growth has been sluggish. That limits the scope for increases in real wages and in the tax receipts needed to service government debt.

It is tempting to put this disappointing return down to the untested policy instruments wielded by central banks which played so prominent a role in the response to the previous recession. But this prominence, as Mohamed El-Erian, an economist, argues in his new book, "The Only Game in Town", was forced upon them by inaction elsewhere. "This was not a power grab," Mr El-Erian writes; central banks had to buy time until the political system got its act together—which by and large it didn't. Far too little effort went into economic policies to work with the grain of monetary easing, and thus to amplify its effects. Such policies would require govern- ▸▸

ments to make decisions that they would rather duck, either with an eye to reforming the structure of the economy—and thus removing some entrenched privileges—or to increasing deficit spending.

If that remains the case, central bankers will have to reach yet further up their sleeves for radical new tricks with which to respond to the recession to come. But even if they do so, they will still require additional help—some of which, in a world of low interest rates, governments could more easily afford to offer. And if the problem runs deeper than a single recession—if, as Larry Summers, a Harvard economist, and others fear, rich nations are condemned to a long period of weak growth because of a persistent shortfall in demand—the need for bold new policies will become even greater.

Accentuate the negative

The menu of policy options comes in two parts. The first covers efforts to ensure that central-bank actions give their economies a bigger jolt. Second come well-targeted and flexible fiscal measures. Carefully chosen structural reforms can both complement such stimuli in the short term and sustain their good effects in the longer term by helping the recovery sustain itself. All these measures can be given more oomph if they are co-ordinated with similar efforts in other countries.

Start with monetary policy. The scope for asset purchases by central banks is, in theory, unlimited. In a crisis such as that of 2008 the Federal Reserve can buy commercial paper issued by banks and companies or mortgage-backed securities. But it, or any central bank, could also buy an even broader range of assets, including high-yield bonds or stocks or even buildings, should financial markets go into free fall.

Textbooks will tell you that, because they create new money, such purchases will eventually give central banks the inflation rates they want. But the experience of QE since 2008 suggests that this is too slow a road to reflation to justify the way that it distorts asset prices and upsets currency markets. Critics of QE argue that its main effect has been to boost shares and to flood emerging markets with cheap money, driving a debt cycle the downward leg of which is now hurting rich-world economies.

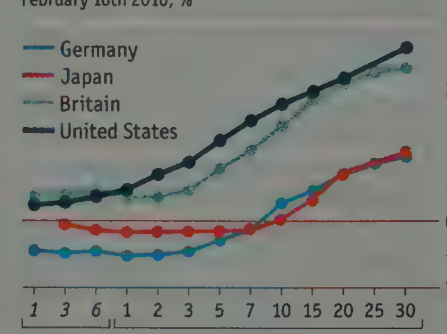
Perhaps other unconventional monetary policies might work better. Last month Japan's central bank joined its peers in Switzerland, Sweden, Denmark and the euro area by setting a negative interest rate—in Japan's case, levying a 0.1% charge on a portion of the reserves that commercial banks deposit with it. In Europe, where the lowest deposit rate set by central banks acts as a floor for interest rates in money markets, and thus for rates on loans more generally, the benchmark for borrowing rates has never been so low. In Germany government-bond yields have turned negative for terms of up to eight years (see chart 2).

Yet even if the boundary for interest rates is not zero, as people once tended to assume, it is not all that much less than zero. If interest rates were to go deep into negative terrain, depositors would switch to cash, which pays no interest but doesn't charge any either. And negative rates are not good for banks; deposit rates cannot be pushed down as hard as lending rates for fear that small savers might switch to cash, an effect which is squeezing bank profits in Europe. Such a squeeze hurts the banks' ability to rebuild the capital buffers that make them safe.

Since the existence of cash is a limit on how low interest rates can go, Andy Haldane, the chief economist of the Bank of England, and Ken Rogoff of Harvard University have proposed abolishing it altogether. But even if such radicalism were to prove feasible in a few countries, its effects might be limited. Savers would find alternative stores of value, such as precious metals or foreign banknotes, or pass on the cost of having money in the bank to others by making payments early.

One reason central-bank policy has been less effective than the bankers would like is that low interest rates have not led to more borrowing and spending. Credit growth outside America has been feeble (see chart 3 on next page). The central banks have tried to deal with this. The Bank of England's funding for lending scheme of 2012 made the provision of cheap central-bank financing conditional on banks writing more loans to companies and householders. The European Central Bank (ECB) has come up with similar wheezes to try to induce banks to lend more freely. But their attempts have seen little success.

Scraping the bottom 2
Yield to maturity of sovereign securities
February 16th 2016, %



Source: Bloomberg

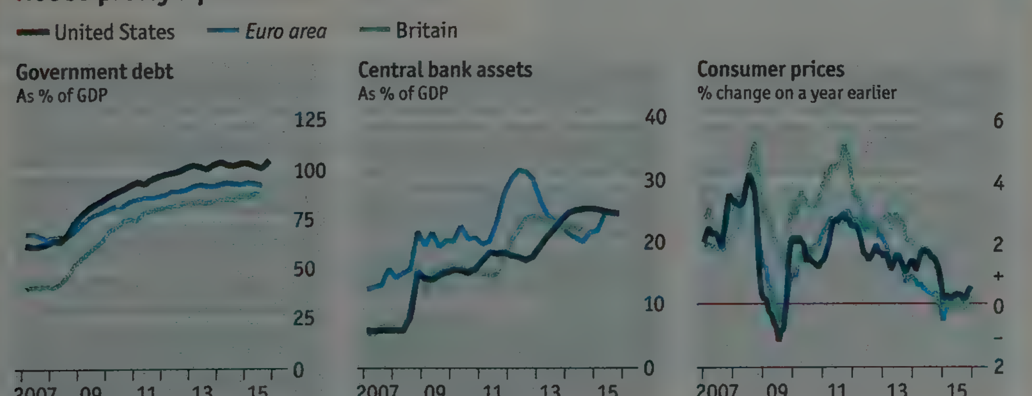
Bigging up the banks

As long as banks in the euro area face worries about their strength, they will be constrained in how much they can lend, no matter how cheap central-bank money is. Their record of raising fresh equity is worse than that of their counterparts in America and their profitability poorer, too. Despite this, capital has been allowed to leak from banks, notes Hyun Song Shin, head of research at the Bank for International Settlements, a clearing house for central banks. Most European banks still pay some dividends and have not cut costs enough. This combination means that they struggle to build up more capital on their own.

American banks are performing better because in 2009 they were required either to raise capital for themselves or to have it forced upon them by government—in which case it would come with restrictions such as bonus caps for senior executives. This had a striking effect (see chart 4 on next page). Luigi Zingales, of the Chicago Booth School of Business, advocates a similar approach for the euro area. The European Stability Mechanism, an emergency euro-area fund, could be used to raise the money; the ECB could act as referee. An alternative is to free capital by taking bad loans off the banks' books, or by forcing banks to write their value down. But that would be messier, slower and—if governments overpaid for the bad loans—fall foul of European Union rules on state aid.

Healthier banks would be better able to supply loans; lower interest rates would make punters more willing to take them out. It is the essence of the current quandary that nominal interest rates can't go much lower than they already are. But real ▸▸

Not so pretty a picture 1



Source: Haver Analytics

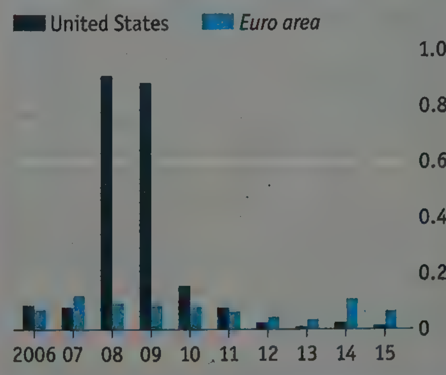
rates could fall: all it takes is for borrowers to be persuaded that future inflation will be higher than they currently expect. Unfortunately, gauges of such expectations derived from bond prices—admittedly imperfect measures—are falling, not rising. The past two years have seen those expectations slump from 2.2% to 1.3% in America. One way to get them back up might be to set a higher inflation target. But when inflation sits so persistently below today's targets, persuading people that higher targets would produce higher rates will require action, not just words.

One way to raise expectations of inflation and boost aggregate demand is for a central bank and its finance ministry to collude in printing money to pay for public spending (or tax cuts). Such shenanigans are not possible in the euro zone, where the ECB is forbidden by treaty from buying government bonds directly. Elsewhere they might work as follows: the government announces a tax rebate and issues bonds to finance it, but instead of selling them to private investors swaps them for a deposit with the central bank. The central bank proceeds to cancel the bonds, and the government withdraws the money it has on deposit and gives it to citizens. "Helicopter money" of this sort—named in honour of a parable told by Milton Friedman, a famous economist—is as close as you can get to raining cash from a clear blue sky like manna from heaven, untouched by banks and financial markets.

Such largesse is, in effect, fiscal policy financed by money instead of bonds. It is conceivable that a bond-financed fiscal tax cut might in fact be cheaper to finance: although cash has a zero yield, medium-term bonds in Japan and in much of Europe have negative yields. But the unaccustomed drama—indeed, the apparent recklessness—of helicopter money could increase the expected inflation rate, encouraging taxpayers to spend rather than save. It is not something to rush into, or to try prophylactically; but in the midst of a global financial crisis, or a deep recession, it would have much to recommend it. If it were co-ordinated by a group of rich countries, all the better.

That's the way to do it 4

Banks' capital raising, as % of total bank assets



Sources: Dealogic; ECB; Thomson Reuters

A related idea is to cancel a portion of the sovereign bonds purchased by central banks, ostensibly cutting public debt at a stroke. It would have the drawback, as would helicopter money, of leaving the central bank technically bankrupt, since its liabilities (money) would exceed its assets (bonds). But since most central banks are backed by national treasuries, this ought not to matter much. A bigger worry is that it is hard to know in advance what effect monetisation would have. Bond markets could panic about an inflationary surge, driving yields through the roof. Or they might just shrug the whole thing off. After all, the central bank could issue fresh bonds to soak up the excess money if things eventually got out of hand.

Not the only game in town

In places stuck in deflationary quicksand it may be necessary to be more radical still. Olivier Blanchard and Adam Posen of the Peterson Institute for International Economics have argued that Japan would benefit from an incomes policy. Under their proposal the state would mandate an across-the-board 5-10% increase in salaries in order to jump-start a spiral in which high wages drive up prices that drive up wages, thus soon leaving deflation behind.

Such a radical idea would meet stiff opposition. The Bank of Japan would have to allow for a temporarily higher inflation target. Bondholders would be very unhappy. But as Mr Blanchard and Mr Posen point out, years of deflation have enriched Japanese bondholders at the expense of the country's taxpayers. Putting the boot on the other foot for a while does not seem entirely unreasonable. In more open economies like America's, where companies face more overseas competition and bondholders are more likely to turn to other markets, the obstacles would be harder to surmount—supposing that the idea of the government raising wages could be stomached in the first place.

Those with memories of the dismal failure of incomes policies in the 1970s (aimed then at capping, rather than spurring, inflation) will be aghast that the idea might be considered at all. For one thing, employers back then often found ways to escape the mandate. Advocates argue that companies would be encouraged to meet the costs of the pay rises through higher prices—indeed that is the whole point. In the 1970s low real interest rates undermined the income policies' wage caps; today monetary policy and incomes policy would be pushing in the same direction.

The alternative to having treasuries and central banks working in ever more complex cahoots, or having governments fix pay rises, is to turn to the second part of the menu and deal with the shortfall in demand with straightforward fiscal policy. Increasing spending or cutting taxation is likely to be more effective than shaving interest rates a hair's-breadth more or having central banks buy more bonds. Loosening fiscal policy has drawbacks, though, both political and economic.

Fiscal policy is by its nature rather less fleet-footed than monetary policy: in normal times interest rates can be raised or lowered according to the ups and downs of the business cycle. Tax policy is a lot less flexible, but it can still be responsive, with changes introduced and reversed as needed. Spending plans are less easily changed. Once current spending on things like wages and pensions goes up, it is hard to cut; capital spending on public infrastructure requires planning, so is difficult to mobilise quickly.

Tax cuts are thus the better tool for boosting demand quickly. But they need to be carefully designed to maximise their impact. Income-tax cuts or increases in tax credits should be skewed towards those (typically the low-paid) who are more likely to spend them. In general, taxes should not overly influence decisions on what to buy or produce; better rely on the signals that the market provides. But in a recession, this principle might be suspended. It is discretionary spending that recessions hit hardest. So a temporary cut in the taxes on durable goods—cars, kitchens, televisions, and so on—can be expected to have greater impact on overall spending than a ▸▸

Unwilling to lend 5

Bank credit to private sector, % change on a year earlier

Source: Haver Analytics

smaller cut in taxes on all goods, including necessities such as clothing and utilities.

At the same time as they tweak tax rates to stimulate the economy, governments would be well advised to overhaul the whole basis on which they are set. An ideal tax system has three aspects: it should be simple; it should be progressive, placing a greater burden on the rich; and it should not overly influence choices about how hard to work, what to produce or what to consume. Few rich-country tax codes match up to this ideal. Getting them closer to it would help both boost economic growth and government finances in the long run.

All the bridges rusting

There are useful ways to increase current spending in a recession. Some countries, such as Denmark and Australia, run state-funded schemes to retrain those who have lost jobs and match them with available vacancies. Others might usefully follow their lead: "active labour-market policies" of this kind are all the more urgent in Europe, because of the influx of refugees from Syria. But the most effective fiscal boost comes from capital spending on new infrastructure or on the upkeep of that which is already there. Unlike tax cuts, which may be saved or spent on imports and thus have less effect on GDP, money sunk into roads, schools, hospitals and the like stays put. And capital spending induces complementary spending elsewhere in the economy more than any other intervention.

Despite the benefits of spending on public infrastructure, governments find it notoriously hard to deploy as an effective stimulus. For one thing, when public finances are under pressure during a recession the reflex response is to cut capital spending. For another, such cuts are sometimes quite good ideas: a lot of infrastructure spending is indeed wasteful. China has pristine highways that few wish to drive on. Alaska has bridges to nowhere. Governments tend to choose projects that make a political splash but have little underlying logic. That is in part why decades of capital spending in Japan have not done more to boost the economy.

Yet there is a painful need for more and better public infrastructure in a lot of countries, especially America. Mr Summers often gives the example of John F. Kennedy Airport, a rundown gateway to New York where the air-traffic control system is from another era. Last year a study by Trip, a transport think-tank, found that the potholed roads in 25 American cities were pushing up citizens' annual car-maintenance costs by more than $700 per vehicle. In 2013 a study by the American Society of Civil Engineers found that a third of America's main roads were in a poor or mediocre state, and that one in nine of its bridges was not structurally sound.

In 2010 Barack Obama tried to move things along. He proposed a public infrastructure bank, to be staffed by technocrats who would appraise the costs and benefits of capital projects and put some money behind the ones they approved. The proposal failed to clear the Senate, which at the same time blocked a scheme to spend $50 billion on improvements to roads, railways and airports. In principle a public-infrastructure bank has had bi-partisan support for decades. Hillary Clinton is only the latest of many politicians to back the idea. But all previous plans have foundered amid partisan squabbling.

An Australian initiative that combines infrastructure spending with privatisation shows promise. In 2013 New South Wales sold the ports of Botany and Kembla for A$5 billion ($5.3 billion), a handsome multiple of their earnings. The proceeds went to a state fund for reinvestment in other infrastructure. This model of "social privatisation" is a template for others to copy, says Brett Himbury, the boss of IFM, a big fund that invests in infrastructure assets on behalf of pension funds. The cash-strapped states that own airports in America might usefully follow it to fund much-needed road repair. In private hands the condition of the airports would improve, too.

Make no small plans

Mr Himbury also has ideas on how to organise greenfield infrastructure projects. Involving private-sector partners in public infrastructure projects has often proved something of a sham. Rather than bringing hard-nosed business sense into the game, it can often both hide and escalate a scheme's true cost: think of the debacle of the upgrades to the London tube. But pension funds around the world are crying out for long-lived assets that will generate the inflation-linked income they have promised to those who retire. The specialist funds that manage these assets have expertise in appraising projects: they will often, for instance, take a more sober view than government officials on forecasts of traffic on a proposed toll road.

Mr Himbury suggests bringing these sources of patient capital in at the outset of a project to advise on its merits and to exert cost discipline on construction firms. The chosen builders should be rewarded for getting things right but should have deep enough pockets to pay the penalties when projects overrun. The private-capital partners in a project should agree on a range of returns and then share any extra profits or losses with government.

The precise choice of policies, and the degree of radicalism, will vary from country to country and according to the nature of the threat. A garden-variety recession in which output falls as existing stocks are run down would require a less drastic response than a bigger systemic shock, such as a Chinese hard landing. It would be wise for governments to work harder on improving public infrastructure or reforming taxes even in less uncertain times.

But the growing constraints on monetary policy mean that fiscal fixes and structural reforms that work with the grain of stimulus policies are more urgent than ever. Big and long-running programmes of public capital spending would give private firms greater confidence about future demand and make a sustained recovery more likely. Simpler tax codes would provide a sounder basis for the sort of shifts in tax rates that will be needed in future to counter the business cycle. Central banks have done their bit. Although more work from them will be vital, it is now time for governments to be bolder. ■

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The Supreme Court

Courting controversy

The death of Antonin Scalia comes as the Supreme Court has never been so neatly divided on ideology. The battle over replacing him will reflect that

WHEN Ronald Reagan tapped Antonin Scalia to fill a vacant seat on the Supreme Court in 1986, America's highest tribunal was a very different place. So was the Senate. Mr Scalia had solidly conservative credentials as a judge on the US Appeals Court for the District of Columbia, and made no bones about his opposition to busing, affirmative action and abortion choice, among other liberal priorities. Yet the Senate did something no one could imagine happening in today's hyper-partisan climate: in a matter of weeks, it confirmed him by a vote of 98-0.

Mr Scalia's successor will not have such a quick and easy vetting. And she or he will join a court that has never been so neatly sorted along ideological lines, with the wrinkle of the Reagan-appointed Anthony Kennedy, who joins the four liberal justices in gay-rights decisions and occasionally in cases involving racial justice. All the justices, in nearly all the biggest cases, vote in line with the party of the presidents who nominated them. All the justices resist the charge that they are, in the words of one liberal justice, Stephen Breyer, "nine junior varsity politicians". Earlier this month, Chief Justice John Roberts lamented how badly the court is misunderstood. The justices "don't work as Republicans or Democrats", he insisted. "We often have no policy view on the matter at all."

The public could be forgiven for thinking otherwise, given recent party-line votes on campaign-finance reform, voting rights, same-sex marriage and environmental regulation. Thirty years ago the court was less predictable. It was also, perhaps as a result, more popular: last September Americans' disapproval of the court reached a new high of 50%. When Mr Scalia joined the bench in 1986, only 10% of Americans told Gallup they had "very little confidence" in the institution; today, that figure stands at 23% and is bound to keep rising with the particularly bloody confirmation battle now in view.

Mr Scalia's "originalism", which aims to strip politics out of judging, may bear part of the blame for the court's decline in public estimation. Originalists strive to interpret the constitution in the light of how it was understood when it was written. They decry the opposing "living constitution" approach as shot through with bias. Such a view, Mr Scalia wrote two years into his tenure as a justice, is incompatible "with the very principle that legitimises judicial review". A judge who looks at the constitution this way is bound to find his own values lurking there. "It is very difficult for a person to discern a difference", Mr Scalia wrote, "between those political values that he personally thinks most important, and those political values that are 'fundamental to our society'."

In his magisterial, biting dissents, Mr Scalia echoed this theme time and again. In 1992 he dissented from a ruling that prayer has no place in public-school graduation ceremonies. The majority opinion was "conspicuously bereft of any reference to history", he wrote, and undertook a "psycho-journey" to reach its conclusion that prayer coerces graduates and thus violates the First Amendment's rule against establishing religion. "Today's opinion shows," Mr Scalia warned, "why…that fortress which is our constitution, cannot possibly rest upon the changeable philosophical predilections of the justices of this court, but must have deep foundations in the historic practices of our people."

Accusing his fellow justices of substituting their views for the true meaning of the constitution was a typical Scalia move. Yet the same charge was levelled at him, to his irritation, for his majority opinion in 2008 finding an individual right to own guns in the Second Amendment, or his vote two years later to regard corporations as bearers of free-speech rights.

In last year's dissent to the gay-marriage ruling, Mr Scalia issued a scathing review of the five justices who had widened marriage laws. The judges were not interpreting the constitution, but changing it: "This practice of constitutional revision by an unelected committee of nine, always accompanied (as it is today), by extravagant praise of liberty, robs the people of the most important liberty they asserted in the Declaration of Independence". After scores of similar dissents, no wonder that the public has a low opinion of the court. The justices regularly condemn each other as opportunistic ideologues.

Clarence Thomas, a fellow conservative, called Mr Scalia's death "untimely"; and indeed, for the court's right wing, this is a bad moment for the 30-year veteran to go. The docket is packed with opportunities to roll back liberal gains involving voting rights, abortion, immigration, affirmative action and public unions.

With the court now stymied 4-4, expect a lot of ties for the time being. Deadlocks reward the victor in the court below, though no binding precedent is set. This means that public-sector unions, whose financing ▸▸

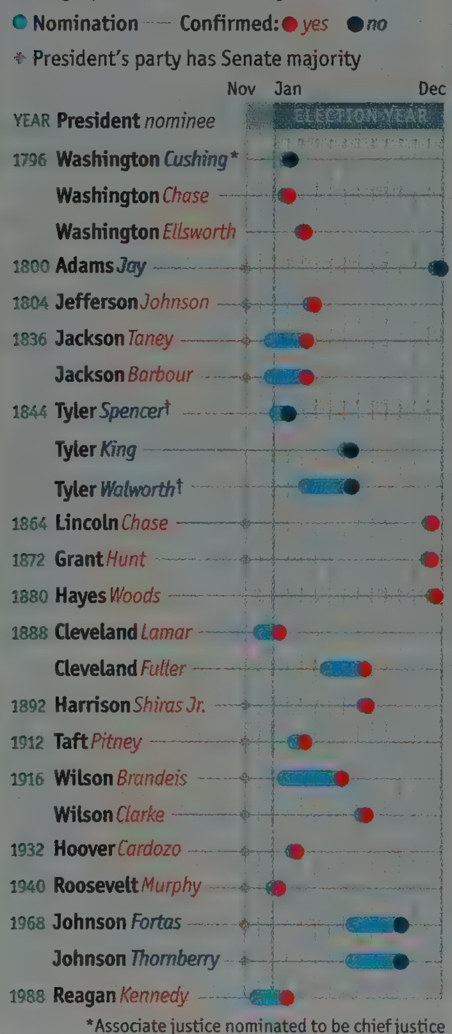
looked doomed after the *Friedrichs v California Teachers* hearing last month, will eke out a win, and that in *Evenwel v Abbott*, Republicans are unlikely to get a chance to improve their odds by changing the way people are counted in drawing election maps. But since the Obama administration lost its battle over executive orders on immigration in the lower courts, a tie at the Supreme Court will be bad news for the nearly 5m immigrants the president had hoped to protect from deportation. And if the justices tie 4-4 in the abortion case being heard next month—the biggest for a decade—the Texas regulations will stand, forcing half the clinics in the state to close.

All of which explains why filling Mr Scalia's chair has turned into a titanic political battle that will overshadow the 2016 presidential campaign and quite possibly outlast it. The first response of Senate Republicans was to warn Mr Obama against even nominating a replacement, chiding him as a "lame-duck" president with no right to make such an enduring decision.

Amid a backlash at this obstructionism, Republican leaders began to hint that they may allow hearings on an Obama nominee; Charles Grassley, chair of the judiciary committee, says he would "wait until the nominee is made before I would make any decisions". Mr Obama's shortlist includes a number of talented candidates in their late-40s and early 50s, including Loretta Lynch, the attorney-general; Sri Srinivasan, a judge on the DC circuit court; and Paul Watford, a judge on the ninth circuit court. None carries much ideological baggage. But in this election year all face partisan scrutiny (not to mention stonewalling) that would be unrecognisable to both the framers of the constitution and to a young Antonin Scalia. ■

Judgment days

Supreme Court nominations concluded during a presidential election year



*Associate justice nominated to be chief justice
†Nominated unsuccessfully a second time on June 17th 1844
Source: US Senate

George W. Bush in South Carolina

Bush land no more

NORTH CHARLESTON

The former president drags himself away from his oils to give Jeb a push

TO SEE George W. Bush on stage in Charleston on February 15th, exuding that old aw-shucks charm, as he told corny jokes and wisecracked about his supposed lack of intelligence, was to recall the presidential standup act that disappeared so suddenly, back to Texas, almost as if his eight years in the White House had never happened. A few in the South Carolinian crowd marvelled that they ever had; even among Republicans Mr Bush is divisive. Around a quarter rate his presidency highly; a third say it was "poor".

That is one reason why this was his first public appearance, alongside his wife Laura and brother Jeb, in Jeb's presidential campaign. Another was to mitigate the unpleasant whiff of dynasticism that clings to it; Jeb's campaign coffers were filled by friends of the Bush brothers' daddy, President George H.W. Bush, as were George W.'s coffers before him. A third reason was that George W., now happily retired to paint bad pictures and grow trees on his ranch, has become even more contentious during the primary contest, as his legacy, of military fiasco, lavish spending and a failed stab at immigration reform, has come under attack from Jeb's rivals. At a Republican debate in South Carolina on February 13th Donald Trump accused George W. of wittingly invading Iraq on a false prospectus and failing to "keep America safe"—the phrase apologists for the former president are most likely to use when defending his record.

But if his appearance in Charleston was in that sense inauspicious, it was justified as an act of desperation. Trounced in Iowa, only slightly redeemed in New Hampshire, Jeb!—as image consultants have branded him—needs at least to beat Marco Rubio, his main rival for the establishment vote, in South Carolina on February 20th if he is to avoid humiliation and abandonment by his father's friends. His advisers believed that George W., whose own presidential ambitions were once saved by South Carolina and who is liked by its many ex-servicemen, might be the filip he needs. "Bush country," they call the state.

There was noisy enthusiasm for the former president in the crowd—of a thousand or so white-haired pensioners, servicemen with buzz-cuts and proper-looking professionals, some with children. Most said they had come, on Presidents' Day, mainly to see George W., not his brother. "He was my president when I enlisted," said Joseph Beaudeg, a 30-year-old marine, who had brought his six-year-old daughter to "see a president." "This is why we're here," said Rutledge Young, a lawyer, pointing to his discreet "W" lapel badge. Only a handful volunteered much enthusiasm for Jeb. Miranda Dobbins, a college administrator and Ted Cruz fan, was one of several who said they had not given him much thought.

What accounts for the brothers' contrasting political fortunes? It is not all Mr Trump's doing—though his ridiculing of Jeb as a "low-energy" dolt has been relentless and brilliant. ("I said, Why don't you use the last name, you'll do better—believe me, it's better than exclamation points," Mr Trump chipped in this week.) One explanation is that George W. is a much better retail politician than the wonkish former governor of Florida will ever be.

When "W" told an execrable joke about being a tree farmer ("It helps me practise my stump speech!"), it was almost funny; the crowd loved it. When Jeb! cracked a better gag—he claimed to have vetoed so much regulation in Florida that they called him Veto Corleone—no one laughed. In a rare serious remark, in a speech in which he did not deign to name any of his brother's rivals, George W. declared himself proud to be a member of the reviled establishment. Yet with his blokeish manner, accident-prone English and earnest religiosity, he never seemed particularly like one. By contrast stiff, proper Jeb, though in some ways, including his bilingual household, less conventional than George W., seems like a man prone to wear chequered golfing slacks to unwind. That makes him, metaphorically speaking, not well-suited to America's distempered electorate.

There was little reason, with the primary vote looming, to suppose George W.'s return from obscurity would fix that. The Bush brothers' first instincts were right: if Jeb's famous relatives may boost him with some voters, they will turn off others. Moreover, South Carolina is not really Bush country these days. The mixture of social conservatism and pro-business posturing that won the state for George W. in 2000 did not work for Mitt Romney, the Republican nominee in 2012. He lost South Carolina to the more acerbic Newt Ging- ▸▸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rich, whose attacks on Washington found favour with anti-government Tea Partiers and disaffected working-class whites.

That both groups had suffered a crashing loss of confidence in steady-as-she-goes establishment conservativism was chiefly because of the economic and foreign-policy calamities George W. presided over. And the suspicion and contempt they engendered endures, which is why all the mainstream Republican candidates—even more compelling ones than Jeb!—are now struggling. It was rather heart-warming to hear the nostalgic, faintly defiant cheers for George W. from a crowd of cautious, quietly prosperous Republicans who do not want a thuggish property tycoon to rip America up and make it great again. But the evidence suggests that W. played his main hand in this race years ago, and it has not turned out well. ■

The campaigns

Heard on the trail

Government by the people
"Is Jeb Bush related to George W. Bush?"
The most-asked question about Jeb in South Carolina during the Republican debate, according to Google Trends.

Fight night
"Ted Cruz is a totally unstable individual. He is the single biggest liar I've ever come across…and I've seen some of the best."
Donald Trump on his rival.

The calming Mr Kasich
"I've gotta tell you, this is just crazy, huh? This is just nuts, OK? Jeez, oh, man."
John Kasich speaks for the viewers as the debate becomes a shouting match.

Off-roading
"Gentlemen, we're in danger of driving this into the dirt."
John Dickerson, moderator, does his best.

Adviser of the week
"I'm not an expert in a lot of things, but I'm pretty knowledgeable about what it takes to be a president, since I were one."
George W. Bush backs Jeb! Fox News

The South will rise again
"38% of Trump voters…wish the South had won the civil war to only 24% glad the North won and 38% who aren't sure."
Public Policy Polling in South Carolina.

Truther
"It's a horrible topic, but they say they found a pillow on his face, which is a pretty unusual place to find a pillow. I can't give you an answer."
Mr Trump considers whether Antonin Scalia was murdered. "The Savage Nation"

Troll-in-chief
"I stayed out of it…a young man named Marco Rubio was deeply involved in it."
Barack Obama discusses the failed Senate immigration bill. LA Times

Expanding the base
"[…] it's not just some old, white Christian bigot…it could be, maybe, a cool kind of open-minded woman like me."
Amy Lindsay, star of a Cruz campaign ad withdrawn after BuzzFeed discovered she had also acted in soft-porn films.

Dark money
"I took his money for my foundation where I used it better than he's using it now, I guarantee you."
Bill Clinton on receiving donations from Mr Trump.

Perks of the job
"It's said to be a very good B&B, so we'll take advantage of it."
Larry Sanders, brother of Bernie, anticipates visits to the White House. AP

Sanders and the black vote

Slow Bern

ATLANTA

The senator is making new friends, perhaps belatedly

THE thousands of Atlantans at Bernie Sanders's rally at Morehouse College on February 16th heard some top-notch oratory. Danny Glover, the senator's impressive point man in the historically black universities he is touring—of which Morehouse is among the most venerable—fired up the young, largely black crowd. Killer Mike, a charismatic rapper and Morehouse alumnus, declared that Mr Sanders's social platform closely matched Martin Luther King's. "We ain't nobody's firewall!" thundered Nina Turner, a politician from Ohio, referring to the notion that black southern voters will shore up Hillary Clinton's queasy bid for the Democratic nomination. It was heart-soaring stuff.

Swipe right for socialism

Then Mr Sanders spoke. He loped to the podium, incongruously rickety in this lithe company, and in his croaky New York whine rattled off his idealistic policies, some reasonable, most unachievable. He revelled in his strong showing so far, a Trump-style touch he has adopted, along with critiques of the media and the corruption of campaign finance. He railed against racism in the criminal-justice system; he earned a roaring ovation for noting that America could afford to rebuild Iraq's infrastructure but not Flint, Michigan's.

The crotchety routine seemed to work—as it must, and quickly, if Mr Sanders is to win over the black voters who will be decisive in the string of imminent southern primaries, beginning with South Carolina's on February 27th. Two young women studying at Clark Atlanta University, adjacent to Morehouse, said they were switching to Mr Sanders from Mrs Clinton; she, one said, was "a people-pleaser", whereas he was "more adamant" in his convictions. A trickle of black politicians are also flipping. Vincent Fort, a prominent Georgian state senator, this week came out for Mr Sanders, citing his concern for inequality and social mobility. Given Barack Obama's victory, Mr Fort says he is "not going to listen to anybody who says 'can't' or 'won't' or 'shouldn't'."

Still, most of the black political establishment remains in Mrs Clinton's camp, a bond forged during her husband's presidency. John Lewis, an influential loyalist, congressman and hero of the civil-rights movement, recently appeared to question Mr Sanders's record in it. "I never saw him," said Mr Lewis, later insisting that he intended no disparagement. Kasim Reed, Atlanta's mayor, is another outspoken Clintonista. Polls suggest most black voters still share this old allegiance: Mrs Clinton retains a big lead in South Carolina, and an even bigger one among blacks.

One student at Morehouse, recounting mistreatment by police, said he would urge his parents to vote for Mr Sanders. His young fans had better hurry up if he is to oust Mrs Clinton in the South. ■


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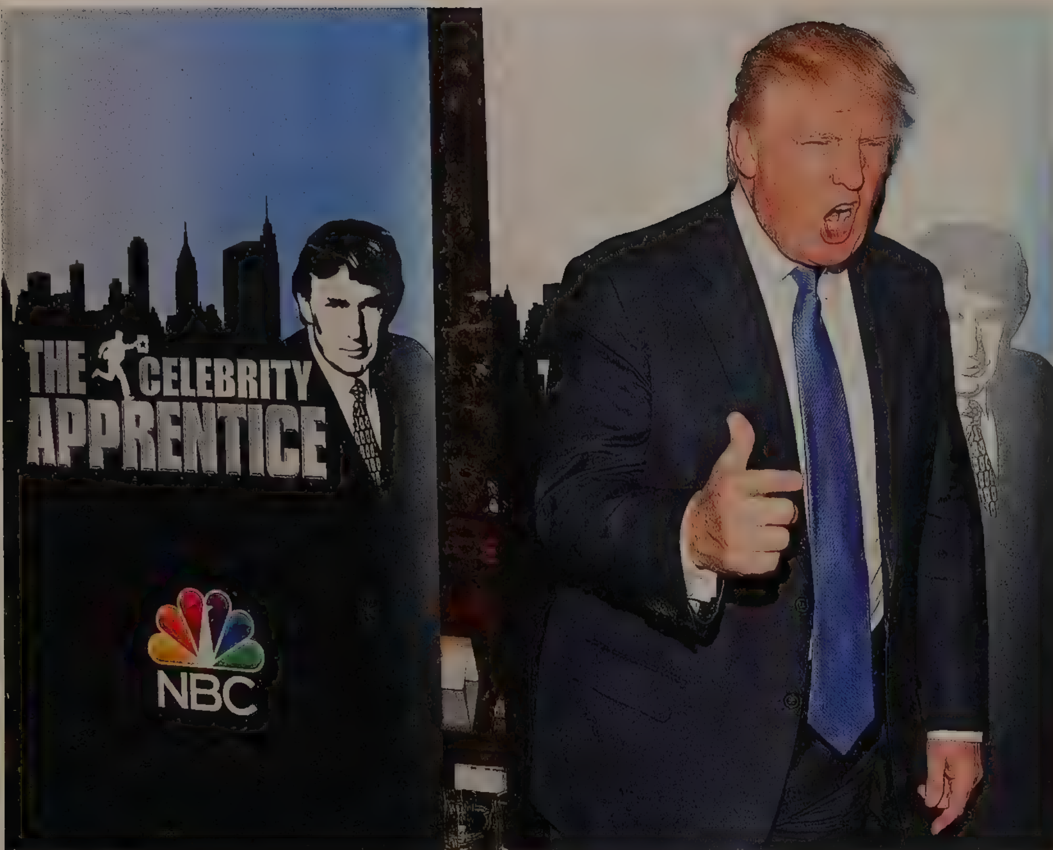


Analysing Trump Inc

From the Tower to the White House

NEW YORK

The enigma of the presidential candidate's business affairs

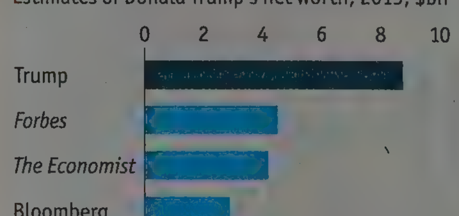
WHEN Donald Trump announced that he was running for the White House, there was only one venue for his speech: Trump Tower on Fifth Avenue. The skyscraper has been central to Mr Trump's business life. Built between 1979 and 1984, it was a triumph for a young property mogul whose father rented out mere apartments in Brooklyn. Nearby is the Plaza Hotel, which a middle-aged Mr Trump sold in 1995 after his casino operation folded. Today half his wealth is still tied up in buildings within a four-mile radius of this spot. The Tower's bar exemplifies Mr Trump's late-life pivot to the business of celebrity, with cocktails named after his TV show *The Apprentice*, which was filmed there. A gift shop stocks Trump aftershave that "captures the spirit of the driven man".

Mr Trump's drive and ownership of Trump Tower are among the few clear and consistent features of his 40-year business life. Much else is opaque, volatile and contested. Mr Trump sees himself as a largely self-made man whose global career qualifies him to be president: "Nobody in the history of the presidency has been nearly as successful as I have," he says. Rivals in the Manhattan property game think he has taken his eye off the ball. His enemies say he inherited a fortune and built upon it an empire of defaults and exaggeration. To others Mr Trump is a mere celebrity playing a dangerous political game: a cross between Mussolini and the Kardashian clan.

Which version is right? A review of Mr Trump's career, his filings with regulators and third-party estimates of his wealth, suggests four conclusions. First, his fortune is in the billions of dollars. Second, his attempt to shift away from debt-heavy property and to create a global brand has been a limited success. About 93% of his wealth sits in America and 80% is in real estate (including golf courses). Third, Mr Trump's performance has been mediocre compared with the stockmarket and property in New York. Lastly, his clannish management style suggests he might be out of his depth if he ran a larger organisation.

Braggadocious

Estimates of Donald Trump's net worth, 2015, $bn



Sources: Federal Election Commission; Bloomberg; *Forbes*; *The Economist*

"I've been through cycles, I've been through a lot," admits Mr Trump. His career can be split into three stages. The era of debt-fuelled expansion was in 1975-90. Mr Trump's big break was the renovation of a site at Grand Central Station, which is now occupied by the Hyatt Hotel. He raised cash, found a tenant, secured permits and completed a complex building job, according to his biographer, Michael D'Antonio. Buoyed by success he went on a long spree, buying buildings in a depressed Manhattan (including the site of Trump Tower), expanding into casinos in Atlantic City and picking up a small airline. His investments over this period were worth perhaps $5 billion in today's money, with four-fifths of that debt-financed.

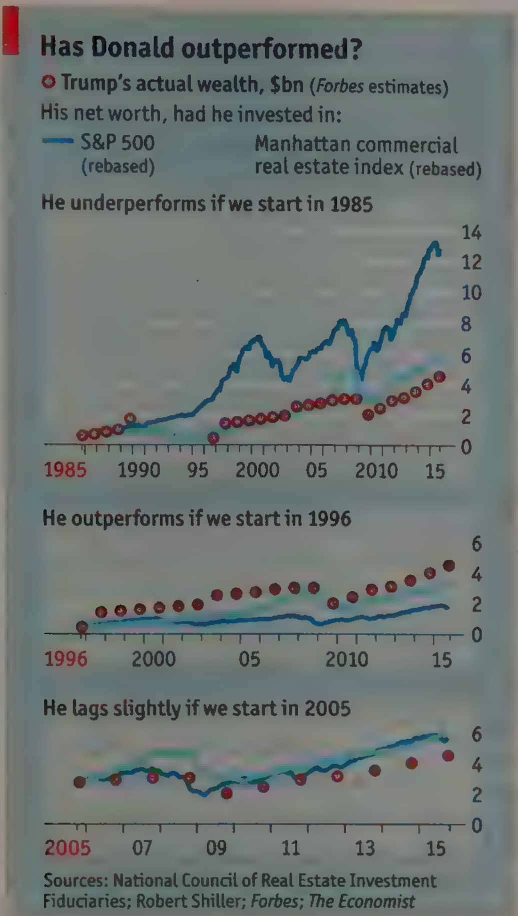
The era of humiliation came in the 1990s, as the casino business faltered and two of his gambling entities defaulted (two other related casino enterprises defaulted in 2004 and 2009). This destabilised the whole of Mr Trump's operation, which may have had as much as $6 billion of debt in today's prices. Through asset sales, defaults and forbearance from his creditors, Mr Trump clung on and avoided personal bankruptcy. As property prices in Manhattan rose he recovered his poise, and by the early 2000s he was doing small deals again, for example buying the Hotel Delmonico on New York's Upper East Side.

The final stage, of celebrity, came with his starring role in *The Apprentice* in 2004. The success of the TV show, which had 28m viewers at its peak and ran until 2015, led Mr Trump to create a flurry of ventures to cash in on his enhanced fame. He is now involved with 487 companies, up from 136 in 2004. They span hotel licensing in Azerbaijan and energy drinks in Israel. At face value Mr Trump has turned his name into a global brand that prints cash.

The numbers of the beast

Information about Mr Trump's business is sketchy. He doesn't run a publicly listed firm, and does not appear to have a holding company into which his assets are grouped. He releases a one-page, unaudited, estimate of his wealth. He has also made a filing on his finances with the Federal Election Commission (FEC), although this does not specify the value of assets worth over $50m and may not include all kinds of income. Estimates of his wealth have been made by *Forbes* magazine and Bloomberg, a financial-data provider.

In the New York property world Mr Trump is perceived to have gone off the boil in the past decade—"He's been distracted," says one broker—with other developers doing bolder projects, such as the Fisher and Durst families, and Gary Barnett. But there is not too much disagreement about the value of Mr Trump's existing buildings and golf-resorts. The ▸▸



contentious bit is his branding operation. According to his FEC filings, this generated about $68m of income in 2014. Valued on a multiple of ten to reflect the fact contracts are finite, this is worth $680m. Based on a composite of figures from the FEC, his estimates, real-estate brokers and *Forbes*, Mr Trump is worth $4.3 billion.

Whether he has transcended the business of property to become a global brand is debatable. His appeal is strong in golf, where Trump-flagged resorts are well regarded. Mr Trump's name carries less cachet in hotels or consumer goods, and does not travel well beyond the country he says he wants to make great again.

Of his wealth, only an estimated 7% is outside America and 66% is made in New York. Only about 22% of his worth is derived from assets that he actively created after 2004, when he became a reality TV star. Some 64% is from conventional property and a further 17% from resorts and golf clubs. His biggest recent deal has been in real estate: buying the Doral hotel in 2012 out of bankruptcy. Only 11 of the licensing and branding companies created since 2004 make more than $1m of income. Mr Trump says there are 38 more deals in the pipeline but it is hard to know their worth.

Mr Trump's performance is tricky to gauge, too, because early estimates of his wealth may have been overstated. We take three starting points and use *Forbes*'s data (see chart 2). The best long-term starting point is 1985, when Mr Trump first appeared in the rankings without his father. The most generous starting point is 1996, when Mr Trump had just clawed his way back from the abyss. The final starting point is a decade ago.

Judged from the low point in 1996, he has outperformed the S&P 500 index of big firms and the New York property market. Judged by his long-term record, he has done poorly. And over the past decade Mr Trump has lagged both benchmarks. His ranking among American billionaires has fallen from a peak of 26 to 121—by the standards of the country's oligarchy, he is small beer. His property empire is a seventh the size of America's biggest real-estate firm.

Mr Trump was sensible enough to get out of casinos in Atlantic City. But he missed out on the industry boom in Macau that propelled erstwhile rivals such as Sheldon Adelson of Las Vegas Sands into a different league. Mr Adelson is worth $26 billion, according to *Forbes*. When considering Mr Trump's performance, one should also spare a thought for outside investors in his projects. Many have made money. But roughly $5 billion of equity and debt (at current prices) from outsiders sat in Trump vehicles that went bust.

What of Mr Trump's management style? His attributes are charisma, spontaneity, frequent communication and quick decision-making. He is a fine negotiator, grinding down the other side with charm and relentless tweaks of the fine print. "He is incredibly charming and deeply frustrating," says someone who has acted for him. A former top executive at the Trump organisation says, "People think he is running everything from 30,000 feet, but it is the opposite. He knows if the carpets were cleaned and every clause in the contract."

The flip side of Mr Trump's personality is volatility, with explosive outbursts and unpredictable behaviour. "He's not stable. He has a nuclear temper," says the same source, who recalls spittle flying and desks being swept empty. Throughout his life Mr Trump has pursued energy-sapping feuds.

Just as his campaign machine is improvised, he appears to have a puny apparatus to support his business. The Trump organisation has a dozen key executives, including Mr Trump's three eldest children, Donald, Ivanka and Eric. Based on the FEC documents, the structure of the Trump organisation is crude, with most of the legal vehicles owned directly by Mr Trump, rather than being grouped together.

He thus has a healthy dislike of bureaucracy but no real experience of a big, complex organisation. "Every company is small compared to the United States," argues Mr Trump, who says he will appoint business figures to run his administration. He is a veteran of publicity but not of scrutiny. He was in charge of a publicly listed company in 1995-2004. It defaulted.

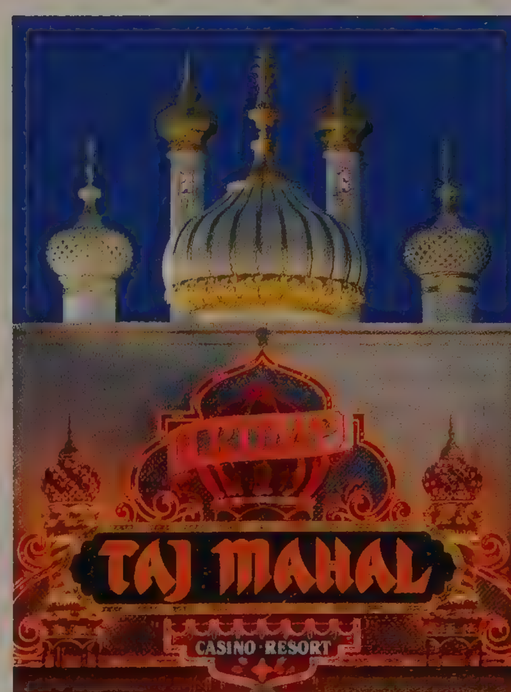
If Mr Trump becomes president he insists that he will "have zero to do with" his business, which he will put in a trust. Mitt Romney, who ran in 2012, and Ross Perot, who ran in 1992 and 1996, took similar approaches. Mr Trump's children would run the show. They are well thought of, but might struggle to make a leap forward. The organisation has only $200m-300m of cash in hand, and it would be hard to sell the buildings without his consent.

If Mr Trump fails to become president, he will go back to his business, although he admits, "it will be much less exciting than what I'm doing now". Perhaps a bonanza will beckon as he launches another flurry of branding efforts, similar to the push after 2004. The election would have been the ultimate marketing campaign.

Heir, tycoon, apprentice, candidate

Yet his initiatives over the past decade have not been a wild financial success. Mr Trump says his candidacy is boosting his brand. But he has lost some business, for example a deal with Univision, a media firm, to broadcast the Miss USA pageant, which he owned. The room rates charged by Trump hotels are on average 10% below other luxury hotels (taking figures from Expedia for eight Trump-branded hotels on March 1st and comparing them with other five-star hotels in the same cities). Being, to use his phrase, a "loser", might hurt his appeal. Bob Dole resorted to advertising Viagra after missing out on the White House.

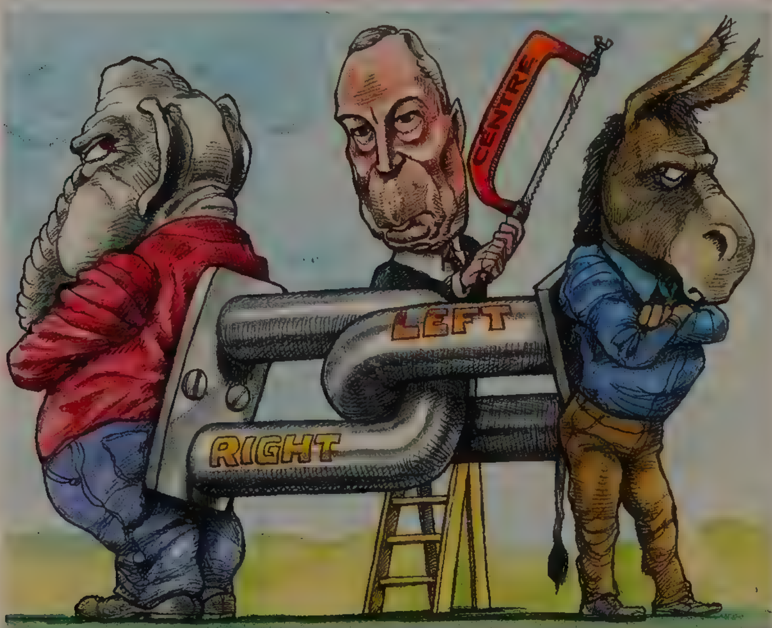
With Mr Trump's 70th birthday approaching in June, the jury is still out on his business career. He has great wealth, much of it made well over a decade ago from a few buildings he has retained in Manhattan, including his favourite on Fifth Avenue. But he has not yet created a great company, raised permanent capital on public markets, gone global or diversified very successfully. Something to think about when you are sipping an $18 "You're Fired" Bloody Mary at the Trump Tower—or voting in a presidential election. ■



Put your hair up pretty

Lexington | Michael Bloomberg's moment

Can a pragmatic billionaire and ex-mayor reform two-party politics?



LEXINGTON once asked America's most successful centrist to explain the strength of the two-party system, in a country that views those same parties with scorn. The problem is tribal loyalties, replied Michael Bloomberg, then in his final days as mayor of New York, in late 2013. Running for national office as an independent is "just not practical", explained Mr Bloomberg, a technocratic billionaire who looked into, then decided against, a non-party presidential run in 2008. Such a big share of the population "will vote the party line no matter what your policies are", he sighed. "That may not be good, but that is true."

Now the Michael Bloomberg of early 2016 hears calls to think again. For the main parties may be about to pick presidential nominees who repel all but the most tribal voters. The chances are rising that Republicans will choose either Donald Trump, a snarling demagogue, or Senator Ted Cruz of Texas, a glib and calculating tribune of the hard-right. The presumed Democratic front-runner, Hillary Clinton, is struggling to hold off her leftist rival Senator Bernie Sanders of Vermont, whose plans would by his own admission require a political revolution.

Bloomberg-boosters see a chance to remake national politics. In a true three-way race, they reason, winning the White House does not require a majority of voters: about 38% of the electorate in the right states would do. Mr Bloomberg, who is 74, does not have long to decide: he must launch a campaign by early to mid-March to get his name on the presidential ballot in all 50 states. Allies see a path ahead for him if Republicans pick Mr Trump or Mr Cruz and Democrats choose Mr Sanders. They also see a way to win if Mrs Clinton looks like prevailing, but has been weakened and driven to the left (or if she faces the real danger of an indictment for mishandling government e-mails as President Barack Obama's first secretary of state). The din and fury of this year's presidential primary season actively encourages Bloomberg-backers. They argue that most Americans abstain from such party contests. Studying polls, they spy a "new silent majority" that is fed-up with the status quo, but is not ready to burn it down.

Mr Bloomberg certainly breaks the two-party mould. He served at first as the Republican mayor of a mostly Democratic city, then became an independent. A Republican could not be elected president with Mr Bloomberg's record. Raised Jewish in a blue-collar suburb near Boston, he is a secular big-city liberal on social issues, backing gay marriage and abortion rights. He tried to ban the sale of large sugary drinks and backed government action to curb climate change. The right loathes him for funding gun-control campaigns across the country. But Mr Bloomberg would also struggle to run as a Democrat. He clashed with teachers' unions over school reforms. He angered the left by defending "stop-and-frisk" police searches which often involve non-whites. Such searches cut crime, he argued as mayor, in part by "scaring the kids to not carry guns". When he defended the ultra-rich as valuable taxpayers those livid about inequality fumed.

Mr Bloomberg can be cranky. Asked by pollsters if they would want to spend Thanksgiving dinner with their then-mayor, nearly 60% of New Yorkers said no. Supporters say that Mr Bloomberg need not be loved: he just needs to be an acceptable third option for voters facing an otherwise appalling choice. The idea of Mr Bloomberg in a presidential television debate fills fans with nerdish joy. The self-made founder of a financial-data empire, he is worth an estimated $40 billion, or nine times more than Mr Trump, a rich man's son—indeed, as a philanthropist, Mr Bloomberg has given away almost as much money as Mr Trump is thought to possess. Most of all, supporters say, he would stand out for knowing how the global economy actually works.

Frank Luntz, a Republican messaging guru (who is not working for any presidential candidate), says Mr Bloomberg offers voters a unique combination. He funds all his political campaigns from his own pocket, unlike Mr Cruz, Mr Sanders and Mrs Clinton. Unlike Mr Trump, he has a governing record. Lastly, he can appeal to both Democrats and Republicans, unlike any of his rivals. A poll taken by Mr Luntz in January saw Mr Bloomberg drawing more than a quarter of all votes in hypothetical match-ups against Mr Trump, Mr Cruz and Mrs Clinton—though it is true that Democrats view him more favourably than Republicans do.

Steve Schmidt, a senior adviser to Senator John McCain's Republican presidential campaign in 2008 (but unaffiliated this time) describes the two traditional parties as in a "state of collapse". He sees in that a chance for innovation, as Mr Bloomberg would have the funds to invest in high-tech targeting of voters, driving tactical voting in his favour, including in the 30-odd states that usually have no impact on White House races.

Still a long shot

Alas for Bloomberg-boosters, there are reasons to be sceptical, too. The ex-mayor is a defender of free trade and immigration in a time of haul-up-the-drawbridge populism. Moreover, America's established parties will fight hard to defend their duopoly. Democratic leaders have already urged Mr Bloomberg to stay out, fearing that he will mostly hurt their party. Republicans gleefully agree, and are urging him to run. Even the electoral rule-book helps traditional parties. Presidential contenders win by securing 270 or more electoral-college votes. If no candidate reaches 270, then the president is chosen by the House of Representatives. The next House will almost certainly be Republican-held. Especially with a Supreme Court vacancy at stake after the death of Justice Antonin Scalia, it can be expected to vote on party lines.

Mr Bloomberg may run anyway, drawing the support of millions of reasonable people. Yet if after some months it becomes clear that he will lose and help elect a President Trump, hope that he drops out. Being a true moderate is a responsibility, as well as an opportunity. ■

Also in this section

Bolivia's presidential referendum

They think it's all Evo

LA PAZ

The longest-ruling president wants to carry on. Enthusiasm for that idea is ebbing

EVO MORALES, an avid footballer in his spare time, enjoys scoring goals and breaking records. As Bolivia's president, he has recently broken a couple. In October he overtook Andrés de Santa Cruz, a founding father who governed from 1829 to 1839, as the country's longest-serving leader. In January Mr Morales, the country's first president of indigenous origin, marked ten years in power—with a speech nearly six hours long extolling his own achievements.

This is merely half-time, he hopes. On February 21st Bolivians are to vote in a referendum on whether to allow Mr Morales to run for re-election in 2019. If they vote yes, and then elect him to a fourth term in office, he will serve until 2025, by which time most Bolivians would remember no other president. If the people vote no, Mr Morales's grip on power will begin to loosen. The vote is expected to be close.

He needs the extra time, say his supporters, to complete a "democratic and cultural revolution" whose goal is to give more power and better lives to the country's indigenous majority. The vote is being closely watched outside Bolivia as a sign of whether Latin America's "pink tide" will continue to recede after recent election defeats for leftist governments in Venezuela and Argentina. A victory for "yes" would hearten depressed left-wingers.

Mr Morales has scored some successes. The extreme-poverty rate has fallen from 38% to 17% during his tenure. The proportion of voting-age Bolivians who are registered to vote has risen from about half in the 1990s to 86%, says Soledad Valdivia of Leiden University in the Netherlands.

Unlike other some other Latin American leftists, Mr Morales did not trash the economy to achieve his social goals. Helped by exports of natural gas, GDP grew at an average rate of 5.1% in 2006-14, among the highest in Latin America. Foreign-exchange reserves of $13 billion are the largest in the region as a share of GDP. Mr Morales's "patriotic agenda" for 2025, the 200th anniversary of independence, promises still lower poverty and a public-works programme that will cost $49 billion over ten years, about 15% of GDP.

O tempora! O Morales!

That sales pitch is proving less convincing than he thought it would be. The electorate is evenly split between the "yes" and "no" camps, though polls may underestimate the president's rural support. Scandals have shaken voters' faith in Mr Morales and the movement he leads. Several indigenous leaders have recently been charged with stealing money from a fund that is supposed to finance development in rural areas. People blame the government for failing to monitor the fund, says Carlos Cordero, a political scientist at Universidad Mayor de San Andrés in La Paz.

Bolivians are digesting revelations that Mr Morales, who is unmarried, had a secret relationship with a law student, Gabriela Zapata, who gave birth to a son in 2007. Mr Morales claims that the child died and that the relationship ended soon after, but many people do not believe him. Ms Zapata is now a manager in a Chinese firm that has won government contracts worth more than $500m, fanning suspicions that something improper is going on. The gossip seems to be hurting the "yes" campaign, at least in the cities.

Some voters have deeper misgivings. Mr Morales both extended democracy and constricted it. Bolivia's constitution, adopted in 2009, gives indigenous and other grassroots groups a bigger role in electoral politics and decision making, especially at the local level, alongside political parties. It is a "real attempt to combine universal values and democracy with more indigenous traditions", says Ms Valdivia.

But conventional democracy has not prospered under Mr Morales. Political parties have atrophied. The president's Movement to Socialism (MAS) is a fractious coalition of groups ranging from coca growers to miners, united mainly by their loyalty to the president; anyone who criticises him is branded a *libre pensante* (free thinker), and ostracised. The opposition is led by a discredited old guard. The government has undermined the independence of the judiciary and the central bank. Much of the media has been tamed by its dependence on government advertising.

Mr Morales owes his longevity as president to the constitutional court, which conveniently ruled in 2013 that, because his first term started before the enactment of the new constitution, he could run for a third. The prospect of a fourth frightens Bolivians who think democracy demands alternation of power. The government will "clamp down even harder on its critics and ▸▸

independent news media", warns Ricardo Paz of Xtrategia Política, a consultancy that advises political campaigns.

Even if the "yes" camp wins, Mr Morales's luck may be running out. The global slump in energy prices is pulling down exports and economic growth. After years of budget surpluses, the government has run deficits for the past two years, which makes Mr Morales's ambitious spending plans look unaffordable. His fan base may shrink by the next election.

A "no" would speed up the erosion. It would damage Mr Morales's aura of invincibility and shift voters' attention to the MAS, which suffered humiliating defeats in local and regional elections last year. Its search for a new leader "could lead the party to unravel", believes Mr Paz. Mr Morales would limp on, but his goal-scoring and record-setting days might be over. ■

Venezuela's economy

Praying to pay

CARACAS

A default is becoming hard to avoid

WHENEVER someone questions Venezuela's creditworthiness, the country's president, Nicolás Maduro, retorts that his government has never missed a debt payment and never will. His predecessor and mentor, the late Hugo Chávez, said the same thing. Creditors are demanding a handsome reward for their trust in that promise. The yield on Venezeula's dollar bond that matures in 2020 is 37%.

Bondholders' faith will soon be tested. On February 26th Venezuela is due to pay $2.3 billion, mainly to hedge funds and investors that specialise in emerging-market debt. There is little doubt that it will make the payment. After that, the risk of a default on Venezuela's remaining $64 billion of foreign-currency denominated bonds will rise sharply. In the second half of 2016 the government of Venezuela and PDVSA, the state-owned oil company, are due to pay $6 billion to creditors (see chart). With Venezuela's heavy oil, virtually its only export, selling for as little as $25 a barrel, the country's main source of foreign currency is drying up. "It now is a question of when they default, not if," says Russ Dallen of Latinvest, an investment bank.

At the recent low price for its oil, Venezuela would earn $22 billion from exports this year, a drop of 77% from 2012. The government has so far responded by restricting imports to half of what they were that year. That, combined with price controls and a bizarre system of multiple exchange rates, has led to shortages of such necessities as rice and toilet paper. It is hard to see how imports could be further squeezed without provoking a social explosion.

Even with imports at rock-bottom levels, Venezuela is expected to have a financing gap of more than $30 billion this year. Its $52 billion-worth of sellable assets are shrinking fast. A hefty chunk of its reserves is in the form of gold held in the vaults of the central bank, a cumbersome means of payment. Chávez, in a nationalistic gesture, brought 160 tonnes to Venezuela from storage abroad. Now at least 27 tonnes are thought to have been shipped back to service debt.

About half of Venezuela's foreign debt is explicitly owed by the sovereign; the rest is owed by PDVSA. There are important differences. Most of the sovereign-debt contracts have collective-action clauses (CACS), under which a restructuring, if accepted by holders of an agreed proportion of debt, can be imposed on all of them.

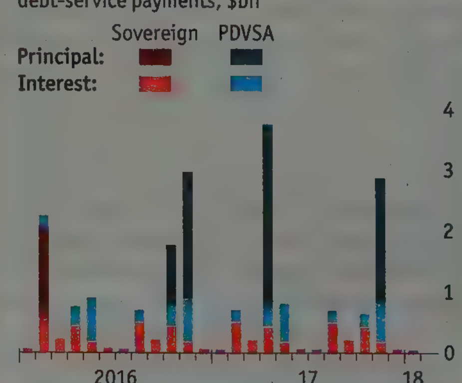
PDVSA, Venezuela's main source of foreign exchange, would have a harder time restructuring its debt. Its bond contracts do not have CACS; if all bondholders are not satisfied by a restructuring offer, a few could hold PDVSA to ransom. But a default would be messy. Unlike Venezuela itself, the oil monopoly owns big assets outside the country, including Citgo, an oil company in the United States. The risk that creditors might seize these is one of the main reasons that Venezuela is so eager to avoid a default. PDVSA may seek to delay payments due later this year, but that will require the agreement of all creditors.

Mr Maduro now admits that Venezuela faces an economic catastrophe; he may be inching towards realism about how to confront it. On February 15th the far-left economics tsar, Luis Salas, was dismissed after just six weeks in the newly created job. His replacement is Miguel Pérez Abad, a leftist businessman who holds more moderate views.

Mr Maduro followed that up by raising the price of petrol 60-fold and tinkering with exchange rates: he reduced the number of official rates from three to two and allowed one to float. The strongest rate for the bolívar has been set at ten to the dollar rather than 6.3. That still leaves Venezuela's petrol the cheapest in the world, and the strongest exchange rate wildly at variance with the black-market rate of around 1,000 bolívares to the dollar.

Instruments of torture

Venezuela's sovereign and PDVSA debt-service payments, $bn



And it leaves Venezuela without a plan to pay its debt, apart from praying for a recovery in the oil price. In 2007 Venezuela stopped co-operating with the IMF, one possible source of assistance. It could turn to China, which has already lent it more than $50 billion and accepts repayment in oil. There is speculation that Venezuela will seek to delay the oil payments. China might agree, in return for access to Venezuela's oil and minerals on favourable terms. With Chinese help, and a more benign oil market, it is just possible that Venezuela will avoid defaulting on its bonds. But that help may come at a high price. ■

Jamaica's election

Let them eat goat

A populist opposition challenges government austerity

IN THE heart of Montego Bay, his country's tourist capital, on the night of February 7th Andrew Holness, the leader of the opposition Jamaica Labour Party (JLP), was outlining his election plan to a throng of supporters when a burst of gunfire left three people dead. He and his supporters scurried for safety. Two days later, a bystander was killed and three were injured when a JLP motorcade drove through Flanker, a poor area of the town close to the airport.

The police were quick to blame the killings on feuding between local criminal gangs, rather than on party rivalries. "We asked specifically that no motorcade should come through Flanker," said the chief of the local police. Nevertheless, the gunshots were an unpleasant echo of Jamaica's 1980 election, when gang warfare linked to cold-war ideology and a crumbling economy pitted a Cuban-influenced People's National Party (PNP) against a pro-American JLP.

The last whiffs of ideology have long since evaporated. Both of the main parties competing in the election, to be held on February 25th, are pragmatic, but the economy remains stagnant. Jamaica was once a regional powerhouse. Its income per head is now the lowest among Britain's former Caribbean island colonies. Gang-linked gun crime continues unabated. Last year Jamaica suffered 1,207 murders, giving the island a murder rate almost ten times that of the United States. ▸▸

The debt-ridden economy has been in the IMF's care for years. Under Portia Simpson Miller, the prime minister since 2012, the PNP government has doggedly stuck to an austerity programme. Peter Phillips, the finance minister, has won praise for that. The fall in the price of oil, which Jamaica imports, has given him a little wriggle room. But next month's budget is expected to contain another round of cuts in public-sector jobs, which may be why Mrs Simpson Miller called the election for 14 months before the deadline.

She is 70 but looks younger and radiates infectious energy on the stump. In the previous election, in 2011, she took 95% of the poll in the inner-city seat she first won almost 40 years ago.

Mr Holness, who was briefly prime minister before losing the 2011 election, is almost 30 years younger (she once called him her "son"). He is a Seventh-Day Adventist, as are one in eight Jamaicans. His Ten-Point Plan is generous: he would exempt from income tax three-quarters of those who pay it and promises 250,000 new jobs in a country where only 188,000 are unemployed. He plays to Jamaicans' homophobia: he wants a referendum to sustain the buggery laws.

The prime minister calls Mr Holness's plan "a Ten-Point Con". It would certainly mean forfeiting the IMF's support. He counters that she welshed on promises to end the tax on electricity bills and to make Jamaicans prosperous enough to eat ox tail and curried goat. That prompted a peevish Mrs Simpson Miller to threaten to sue, and to pull out of three planned debates.

The PNP has been in office, with only one four-year break, since 1989. Pollsters and pundits give it a slight edge this time, too. But a big slice of voters remain undecided, or say they will not vote. Mrs Simpson Miller still has work to do. ■

Bello | Rigging Peru's election

A court puts Julio Guzmán's presidential campaign on ice. Bad idea

A COUPLE of years ago Julio Guzmán decided he wanted to run for president of Peru. On the face of things, that was implausible. He had never been a candidate for political office before. His experience of government was confined to two short stints as a deputy minister in the administration of the current president, Ollanta Humala. An economist, he had spent much of his working life abroad as an official at the Inter-American Development Bank.

A small and dormant political party called Everyone for Peru (TPP in Spanish) agreed to field him as its candidate. For months he made no perceptible impact on the campaign for the election due on April 10th. But by street leafleting and through social media he gained support, especially among young people. This year he has surged in the opinion polls to 17%, behind only the long-standing front-runner, Keiko Fujimori (35%). In a run-off ballot, which would take place in June, he is the only candidate who might come close to beating Ms Fujimori.

So it matters greatly that on February 16th the electoral court in effect stalled Mr Guzmán's campaign. By three votes to two, it refused his appeal against an administrative ruling that TPP had broken its own statutes in the way that it organised the meeting in October that chose him as its candidate. Confusingly, the court's decision does not in itself annul his candidacy: a separate tribunal must now decide on that. But in practice the court has disabled it. Unless the court quickly reverses itself, weeks of legal argument may lie ahead.

"It's the political system [uniting] against a new option," declared Mr Guzmán, though he insisted he would carry on campaigning. It is part of his pitch that he represents a middle-class insurgency

against an entrenched reactionary "establishment", a word he uses a lot.

The court's majority deployed pettifogging legalism, giving more value to secondary regulation than to Mr Guzmán's constitutional right to run and the right of the people to choose whomever they please—the essence of democracy. Even in narrow terms, the decision is questionable: the dissenting two pointed out that TPP later held a congress which endorsed the choice of Mr Guzmán and that no party member had complained.

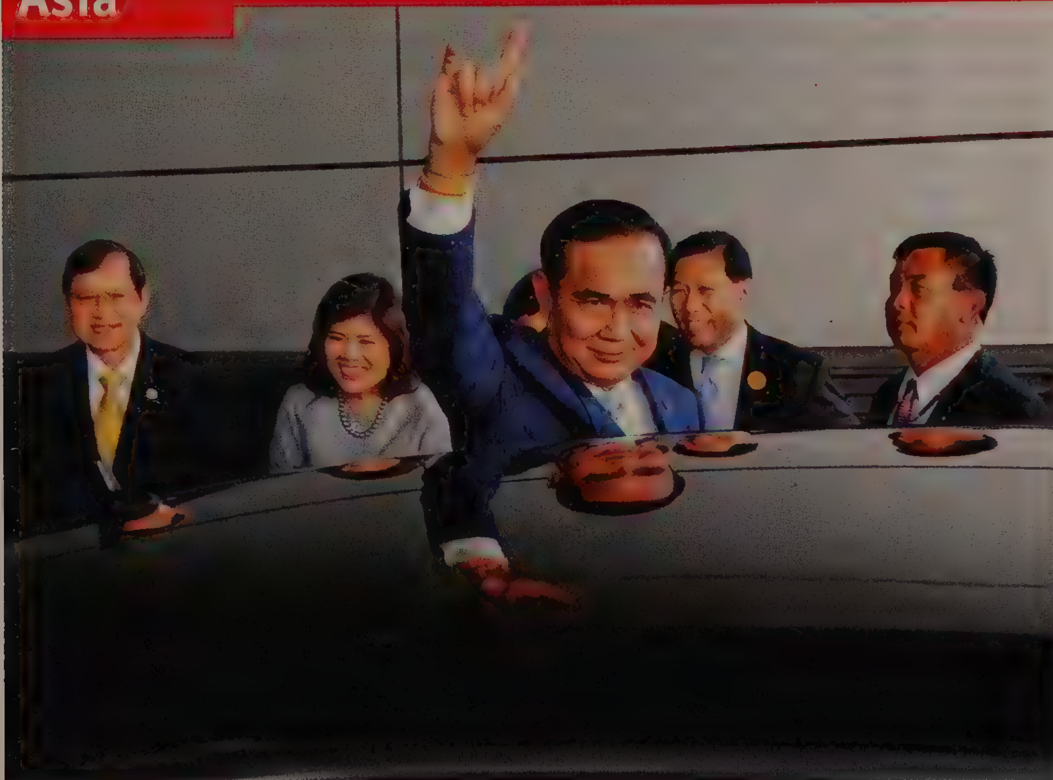
The underlying problem is that Peru is a democracy in which hardly any of the 25 registered political parties is worthy of the name. "They are shells," says Fernando Tuesta, a political scientist and former electoral official. "No party conducts an internal election as it should be done." César Acuña, the owner of three private universities who is accused of serial plagiarism and vote-buying (which he denies), remains in the race.

The absence of parties is both a cause and an effect of the general contempt in which Peruvians hold their politicians. It injects unpredictability into elections and explains why Mr Guzmán could come from nowhere. Aged 45, he is slim, short, articulate and relaxed. He presents himself as a post-ideological candidate situated firmly in the political centre. "What's demanded today is accountability, authenticity and effectiveness," he told Bello earlier this month.

He reeled off his priorities for government: pre-school education, promoting innovation and a higher-tech economy, reform of the state and so on. He stresses policies to help the middle class. Many of these are sensible but not especially novel, as he admits. He gives the sense of making some things up as he goes along, and sometimes contradicts himself. That hasn't halted his surge. For it is Mr Guzmán himself, as a fresh face and political outsider, who provides the novelty that Peruvians crave.

Peru has fared well for most of the past 15 years, as faster economic growth has slashed poverty and paid for social progress. But growth has slowed, crime has risen and corruption scandals have proliferated. Peruvian democracy has been held together not so much by parties as by economic success and a consensus that the government should be run by technocrats (such as Mr Guzmán). But are these still enough?

It is ironic that the only semi-serious party is that of Ms Fujimori, whose father spurned political parties when he ruled the country as an autocrat in the 1990s. To her credit, she has been firmer than other rivals in defending Mr Guzmán's right to run. In the short term, she may be the main beneficiary if he is disqualified: she might then win without a run-off. But it is in no one's interest that the electoral court has disrupted Peru's election and potentially undermined the legitimacy of its eventual winner.



Also in this section

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Coup politics in Thailand

Twentieth time lucky?

BANGKOK

Some generals come up with a new plan for saving Thailand from democracy

THE job of "returning happiness" to Thailand has put Prayuth Chan-ocha (pictured) in a foul mood. In January the irascible leader of the junta that seized power in May 2014 said he had resolved to "talk less, be less emotional and quarrel less with reporters." Yet this month he was again apologising, through a spokesman, for flashes of anger at two press events. The cause of his ire was impertinent questioning about a proposed new constitution. His temper may only get worse.

Mr Prayuth, a former general, this week reassured President Barack Obama at a summit for South-East Asian leaders in California that he is preparing the country for fresh elections. But first the junta wants to pass a new constitution which would keep the hands of elected politicians firmly tied. Mr Prayuth's coup suspended the previous constitution, itself drawn up during another period of military rule following an earlier coup that also unseated a democratic government, in 2006. A draft for a new constitution that was presented last year proved too illiberal even for lackeys who sit in the army's rubber-stamp councils. The generals ordered a rewrite. Their latest blueprint looks nearly as bad.

True, it abandons much-derided plans for an army-led "crisis panel", empowered to topple elected governments at will. But otherwise it reflects the army's view that popular politics is a form of corruption, and that bickering politicians are the source rather than a symptom of Thailand's deep social divisions. (The biggest one is between a wealthy, royalist establishment in Bangkok, the capital, and poorer, less deferential classes in the north and north-east.) The new draft would produce weak coalition governments, presumably in order to erode the dominance of Thailand's most successful party, Pheu Thai, versions of which the army has twice kicked from power. The prime minister need not be an MP, a loophole that could allow soldiers to keep bossing elected politicians around.

New power will also flow to watchdogs such as the electoral commission, anti-corruption outfit and courts. On the face of it, that looks good. But these bodies have traditionally reflected the interests of Thailand's monied elites. It is progress that the draft makes the constitutional court the final arbiter in times of crisis—that role had previously fallen to King Bhumibol Adulyadej, now old and frail. But the change probably reflects fears among the Bangkok establishment that the next monarch, the crown prince, may go too easy on Pheu Thai and other perceived enemies.

All this has dismayed Thais of many stripes. Politicians note that Mr Prayuth will retain his authority until the moment the next government is sworn in, perhaps allowing him to influence their election campaigns. They fret that more surprises may be stuffed into subsections which the drafters have yet to scribble (a process that may delay an election promised for mid-2017). Sensing revolt, the junta has started warning that critics of the draft will be hauled away for "attitude adjustment". The government insists that the constitution will be put to a national referendum at the end of July. The election commission says it is already preparing plans for that ballot, an operation it has considered calling the "65m Blooming Flowers" (forgetting, presumably, that a similarly named campaign in Mao Zedong's China ended in bloody repression). It wants penalties for people who misrepresent the draft in the media. Meanwhile, a general says cadets will be sent to polling stations to help people vote for the right outcome. It may be in vain: the few opinion polls suggest that Thais will throw the new draft out.

The attitude adjusters

What would happen then is anyone's guess. Mr Prayuth insists that a general election will take place in 2017 no matter what—though the junta's timetable for a return to elected government has shown a tendency to slip. Perhaps he will seek to resurrect a constitution from Thailand's past (he has 19 to choose from). Perhaps he will impose an electoral system of his own making. Meechai Ruchuphan, a lawyer who led the latest drafting panel, has warned that Thais who vote to abandon his council's creation might end up with rules they like even less.

Some wonder whether the draft is designed to fail, so that the junta can remain in power. The generals are presumed to want to be around to manage King Bhumibol's succession (he is 88). Noxious censorship laws even prevent the matter of the ▸▸

Politics in the Maldives

Archipelago of ire

MALE

Beset by scandal, the islands' hardline president may be losing his grip

THE low-lying Maldives may be inundated by a political storm. At the centre stands the archipelago's president, Abdulla Yameen, scion of a powerful clan. The jailing this week of a former ally, and questions about missing money, are bringing the crisis to a head.

One agent of Mr Yameen's troubles is Mohamed Nasheed, the first democratically elected president, who was ousted in what was in effect a coup in 2012. He then contested (and eventually lost) the last election, before facing overblown charges of terrorism. But foreign pressure recently secured his passage to London for medical treatment. There he has loudly highlighted his country's democratic shortcomings.

He is supported by a high-profile lawyer, Amal Clooney, who has helped strengthen the backing of Britain's prime minister, David Cameron, for the cause of Maldivian democracy. The islands' government is furious with Mr Nasheed. Ministers have come to London to prevent the Commonwealth from suspending the Maldives' membership and to fight off European calls for targeted sanctions unless political prisoners are freed and a deal reached with the opposition.

But the 12-year sentence handed down on February 17th to Imran Abdulla, head of an Islamist party, has undone their work. He also was charged with terrorism for a speech at a rally last May in support of Mr Nasheed—even though he used it to call for calm. Officials more readily rail against Mr Nasheed than explain how $79m disappeared from the state tourism body. Mr Yameen's former vice-president, Ahmed Adeeb, has been arrested for that, as well as for an explosion on the president's yacht. But questions remain. It seems improbable, as ministers with a taste for flash watches insist is the case, that Mr Adeeb is the only senior politician to have benefited.

The opposition alleges that Mr Yameen is implicated in the tourism scandal, as well as in an alleged money-laundering scheme involving the central bank. With outside pressure growing, the president, who denies any wrongdoing, has shrinking room for manoeuvre.

Nasheed and Clooney charmed Number Ten

succession from being openly discussed—though it will be the most significant moment for the national polity in decades and seems likely to inflame the country's smouldering class wars.

Yet the longer the generals hang around, the more problems they will have to contend with. On February 12th Yingluck Shinawatra, pushed out as prime minister just before the coup, invited foreign journalists to tour her vegetable garden—an outing seemingly designed to skirt the ban on overt politicking. She is probably hoping that foreign pressure on the junta will lessen her chances of a long jail term at the end of her show trial for corruption. Perhaps more pressingly, the junta also finds itself caught up in a bitter dispute inside Thailand's powerful religious establishment over who should succeed the late patriarch of the Buddhist faith. Thousands of monks gathered near Bangkok on February 15th, urging the government to endorse their faction's favourite. There were scuffles with soldiers.

It is a febrile mood, and no end of conspiracy theories posit what a scheming junta intends to do next. Yet the debacle surrounding the constitution may hint at something more worrying still: that Thailand's self-chosen leaders have no real strategy at all. ■

Alcohol in India

Taxing tipplers

DELHI

India's governments struggle with their addiction to booze

IN LUCKNOW they call it "evening medicine". In Bangalore the slang is "oil". Among Tamils it is "water". The Indian government is less poetic. It classes the stuff as IFL, IMFL or IML, terms that stand for imported foreign liquor, Indian-made foreign liquor and Indian-made liquor. But in all its many layers the Indian government remains just as addicted to, and sometimes just as confused by, the demon alcohol as any wine-drenched Urdu bard.

Most Indians do not drink at all, and per person Indians are far more abstemious than others elsewhere (see chart on next page). Yet those who do drink show a preference for the strong stuff. By fast-growing volume India is the world's third-biggest consumer of alcohol, and far and away the biggest consumer of whisky. Such IMFL brands as Royal Stag and Officer's Choice, unknown in other markets, rank among the world's top ten best-selling whiskies. Even in beer Indians exhibit a taste for the bracing. Draught beers high in alcohol make up four-fifths of the local market.

Governments everywhere tax booze and control its sale, but few do so as heavily or as capriciously as India's. It is not just that the federal government imposes a tariff of 150% on imported spirits. Local licensing fees and taxes, along with a range of gouging state controls on the alcohol trade, stick consumers with end prices that are often five or six times those at the distillery gate. Granted, cheaper, less palatable alternatives exist to real whisky. In Delhi a plastic 0.6-litre bottle of brown liquid whose wonky label proclaims "Star Deluxe 80 Proof" retails for just 140 rupees, or $2. Unlicensed hooch, widely available in India, costs a fraction of that. Sadly it sometimes also kills or blinds. In 2014, 1,700 Indians died after imbibing toxic home brew—mainly as a result of lethal methanol unwittingly being manufactured rather than ethanol.

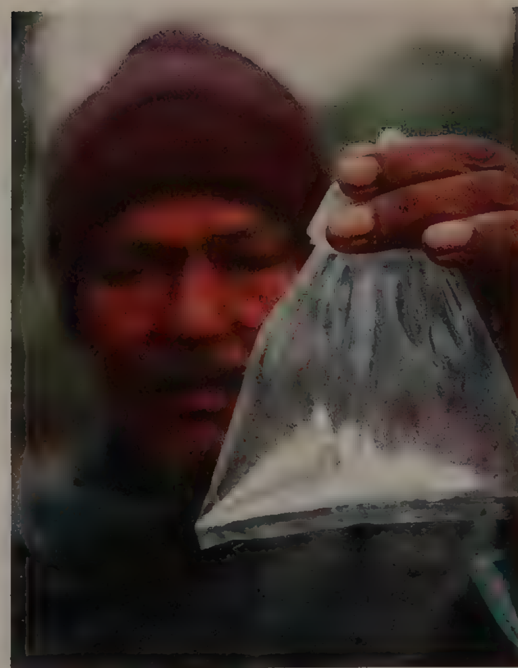
India's 29 states and seven union territories have adopted wildly different approaches to alcohol. In the west prim Gujarat has banned it entirely since 1961. By contrast the little territory of Puducherry on the Coromandel coast earns two-fifths of its revenue from an excise tax on booze. Some states auction wholesale and retail licences, or apportion them to friends of the party in power. Others operate their own monopolies. Tamil Nadu's state monopoly employs 30,000 people and runs more than 6,000 outlets.

Officially tipplers in Mumbai need a licence to consume alcohol. A lifetime pass costs 1,000 rupees and a day ticket five rupees. In theory failing to have one can incur a five-year jail sentence. In Delhi the minimum legal age is a silly 25. Recently police, at the behest of the national government, raided a municipal official's home to embarrass the local government with the shock discovery that he owned two bottles more than the 12 allowed by local law.

In a bow to Gandhian austerity, India's constitution lays down the aim of reducing alcohol consumption. Like America in the 1920s, many Indian states have tried prohibition before abandoning it. The odd thing is that some keep trying. Kerala imposed stiff controls last year, and Bihar plans to do so in April. But Manipur and Mizoram, hill states in the north-east, are giving up their bans. They cite rising criminality, the danger of poisonous hooch, loss of state revenues and an inability to control the flow.

Meanwhile other states are simply seeking better ways to milk India's passion for drink. Andhra Pradesh, whose 51m people already hand over nearly $2 billion a year in alcohol taxes, recently lowered duties on the cheapest Indian-made alcohol and raised them on higher-end potions. It was a carefully calculated bid to earn more from bigger volumes. Revenues have indeed soared, not only from higher local consumption but also because of a surge of smuggling into neighbouring states. Karnataka, dependent on alcohol for nearly a quarter of state revenue and already struggling to plug smuggling from cheaper Goa, has stiffened border checks to stem this new tide. To the north, the state of Punjab actually slaps higher taxes on alcohol "imports" from the rest of India to protect its own distillers.

Taken together, it is an ungainly mix of prudishness and excess, of tangled laws and hefty profits. It says much about the state of India today. In some sectors of the alcohol industry, order is beginning to prevail. For instance, after years of trying to slash a way through thickets of bureaucracy and vested interests, big multinational firms now manage the bulk of the beer industry. Yet despite promoting the idea of a unified national goods and service tax to replace India's current plethora of federal and state taxes as a key objective of its reform programme, the government of the prime minister, Narendra Modi, has explicitly stated that alcohol will still be taxed the old way. It is too rich a brew for state governments to give up. ■



Blind faith needed

Media freedom in Japan

Anchors away

TOKYO

Criticism of government is being airbrushed out of news shows

FOR a decade, millions of Japanese have tuned in to watch Ichiro Furutachi, the salty presenter of a popular evening news show, TV Asahi's "Hodo Station". But next month Mr Furutachi will be gone. He is one of three heavyweight presenters leaving prime-time shows on relatively liberal channels. It is no coincidence that all are, by Japanese standards, robust critics of the government.

Last year another anchor, Shigetada Kishii, used his news slot on TBS, a rival channel, to question the legality of bills passed to expand the nation's military role overseas. The questioning was nothing less than what most constitutional scholars were also doing—and in private senior officials themselves acknowledge the unconstitutionality of the legislation, even as they justify it on the ground that Japan is in a risky neighbourhood and needs better security. But Mr Kishii's on-air fulminations prompted a group of conservatives to take out newspaper advertisements accusing him of violating broadcasters' mandated impartiality. TBS now says he will quit. The company denies this has anything to do with the adverts, but few believe that.

The third case is at NHK, the country's giant public-service broadcaster. It has yanked one of its more popular anchors off the air. Hiroko Kuniya has helmed an investigative programme, "Close-up Gendai", for two decades. NHK has not said why she is leaving, but colleagues blame her departure on an interview last year with Yoshihide Suga, the government's top spokesman and closest adviser to Shinzo Abe, the prime minister.

Mr Suga is known for running a tight ship and for demanding advance notice of questions from journalists. In the interview Ms Kuniya had the temerity to probe him on the possibility that the new security legislation might embroil Japan in other countries' wars. By the standards of spittle-flecked clashes with politicians on British or American television, the encounter was tame. But Japanese television journalists rarely play hardball with politicians. Mr Suga's handlers were incensed.

It all shows how little tolerance the government has for criticism, says Makoto Sataka, a commentator and colleague of Mr Kishii's. He points out that one of Mr Abe's first moves after he returned to power in 2012 was to appoint conservative allies to NHK's board. Katsuto Momii, the broadcaster's new president, wasted little time in asserting that NHK's role was to reflect government policy. What is unprecedented today, says Shigeaki Koga, a former bureaucrat turned talking head, is the growing public intimidation of journalists. On February 9th the communications minister, Sanae Takaichi, threatened to close television stations that flouted rules on political impartiality. Ms Takaichi was responding to a question about the departure of the three anchors. ▸▸

Political pressure on the press is not new. The mainstream media (the five main newspapers are affiliated with the principal private television stations) are rarely analytical or adversarial, being temperamentally and commercially inclined to reflect the establishment view. Indeed the chumminess is extreme. In January Mr Abe again dined with the country's top media executives at the offices of the *Yomiuri Shimbun*, the world's biggest-circulation newspaper. Nine years ago, when Mr Abe resigned from his first term as prime minister, the paper's kingpin, Tsuneo Watanabe, brokered the appointment of his successor, Yasuo Fukuda. Mr Watanabe then attempted to forge a coalition between ruling party and opposition. Oh, but his paper forgot to alert readers to all these goings-on. The media today, says Michael Cucek of Temple University in Tokyo, has "no concept of conflict of interest."

It has all contributed to an alarming slide since 2011 in Japan's standing in world rankings of media freedom. Mr Koga expects a further fall this year. He ran afoul of the government during his stint as a caustic anti-Abe commentator on "Hodo Station". On air last year he claimed that his contract was being terminated because of pressure from the prime minister's office. His aim, Mr Koga insists, was to rally the media against government interference. Yet TV Asahi apologised and promised tighter controls over guests. Now Mr Furutachi is quitting too. The government is playing chicken with the media, Mr Furutachi says, and winning. ■

South Korea and its neighbours

The poor relations

SEOUL

The South's "trustpolitik" towards North Korea has unravelled

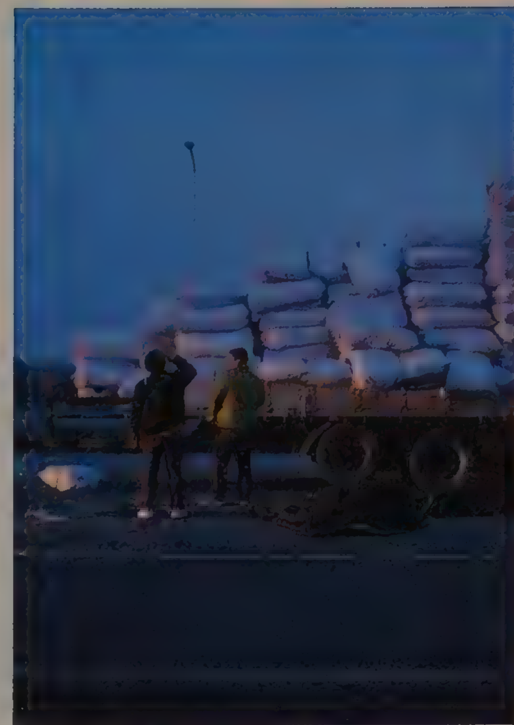
WHEN, in a hissy fit, North Korea shut down the Kaesong industrial zone almost three years ago, pulling out its workers and expelling their South Korean managers, many were puzzled as to why the conservative administration of Park Geun-hye, South Korea's president, would work so hard to restart it. A product of the "sunshine policy" of her left-leaning predecessors, the factories just north of the border kept alive a few of South Korea's twilight industries, producing low-grade shoes and clothes with subsidies from the South and cheap labour from the North.

The joint zone opened again five months later, after seven rounds of talks. But on February 10th it was South Korea's turn to pull the plug on the complex, for the first time since it opened in 2004. Ms Park announced a complete suspension of operations. Few expect it to reopen during her presidency, which ends in December 2017. The North swiftly cut hotlines, expelled businesses and put its army in charge of the area. The last real point of contact between the two Koreas is no more.

If earlier efforts to save Kaesong tried to show Ms Park's "trustpolitik" at work—a mixture of carrot and stick to try to get North Korea to engage with South Korea—the zone's closure suggests that this policy has been ditched. Those dismayed by the move point out that the deal in 2013 involved a pledge to shield Kaesong from lurches in inter-Korean relations. But Ms Park is no longer in the mood for appeasement. In a notable speech to the National Assembly in Seoul, she did not mince words: it had become "indisputably clear", she said, "that the existing approach and good intentions" would "only lead to the enhancement of the North's nuclear capabilities" under Kim Jong Un.

The tests of a nuclear bomb on January 6th and a long-range missile a month later were the last straw. Since Kaesong opened, the North has conducted four nuclear tests and five long-range rocket launches. The hard currency that flowed into Kaesong from the South went straight to the state, which returned as little as a fifth to the 54,000 North Korean workers there. The flow amounted to about $130m a year—not much by South Korean standards, but a fortune for the North and enough to help underwrite its nuclear dabbling.

A harder line towards the North is only one change in Ms Park's foreign-policy outlook. Another is disappointment with China, North Korea's only friend, largest trading partner and principal donor. It is just possible that China is now getting tougher on the North. In a recent editorial, *China Daily*, a state-controlled newspaper, said that new UN sanctions, currently being drafted, "must truly bite". Yet China is unlikely to want to do anything to rock Mr Kim's regime, for fear of the instability that might ensue. It has responded to the tests with studious restraint.


Last orders

That is a blow for Ms Park, who had worked hard to woo Xi Jinping, China's president. The two have met half a dozen times. Ms Park attended a Chinese military parade in September, the only leader of an Asian democracy to do so (much to America's irritation). Yet Mr Xi did not take a call from Ms Park for over a month after the North detonated its bomb. Downplaying the North's tests, says Evan Medeiros, formerly a member of Barack Obama's National Security Council, has been Mr Xi's weakest foreign-policy step. Among other things, it has hastened South Korea's rapprochement with Japan after a protracted spat over history. And now Ms Park has agreed to adopt an American advanced missile-defence system that China has long agitated against.

So shutting Kaesong was probably also a show of determination put on for the United States. Military drills that take place annually in the spring between the two countries are planned to be among the biggest yet. And South Korea, America and Japan are likely to become more public about their three-way co-ordination against the North Korean threat. South Korea is recalibrating its foreign policy: unambiguously hugging its American ally and mending ties with Japan as those with China fray. Ms Park's legacy may yet be made in the dusk of her presidency. ■

Also in this section

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Dementia

State of minds

BEIJING

China is ill prepared for a consequence of ageing: lots of people with dementia

ON A stage decorated with tinsel and fairy lights, Liu Changsheng is singing "The East is Red" into a microphone, wearing a yellow and grey tracksuit. For Mr Liu, the Maoist anthem of the 1960s may arouse memories more vivid than those he has of his immediate past. Now in his seventies, he has dementia, an incurable brain disease that is often revealed by a loss of short-term memory. For two years Mr Liu has lived at the Qianhe Nursing Home in northern Beijing in a facility for around 75 dementia patients. They are among the few sufferers of this condition in China who receive specialist care.

Dementia has mostly been a rich-world sickness, because it becomes more common as people live longer. China is fast catching up. Life expectancy increased from 45 in 1960 to 77 now, and the population is ageing rapidly: one person in six is over 60 now; by 2025 nearly one in four will be. Factors that increase the (age-adjusted) risk of developing dementia are also on the rise, including obesity, smoking, lack of exercise and diabetes.

Already about 9m people in China have some form of dementia. In absolute terms, that is more than twice as many as in America. It is also more than double the number in India, a country with a population similar in size to China's but a much younger one. Nearly two-thirds of China's sufferers have the form known as Alzheimer's, cases of which have tripled since 1990. The number of Alzheimer's patients may increase another fourfold between now and 2050.

China's government is woefully unprepared for this crisis, with a severe lack of health-care provision for sufferers. So too is the public. Despite recent public-information campaigns, many Chinese regard dementia as a natural part of ageing, not as a disease, and do not know that it is fatal. Others see it as a psychological ailment rather than a degeneration of the brain itself. It carries a stigma of mental illness, making sufferers and their relatives reluctant to seek help. This compounds the suffering caused by dementia: active management can sometimes slow its progress.

Even at the Qianhe Nursing Home, where Mr Liu lives, some aspects of the care appear crude. A shared "activity" space for dementia sufferers has no games or toys to entertain them; relatives are discouraged from visiting more than once a week for fear of "disturbing" their kin (in the West, care homes encourage visits, which can be stimulating and provide a sense of warmth and familiarity). Some dementia patients end up in psychiatric wards, which cannot deal effectively with their specific requirements. There is an acute shortage of medical workers qualified to treat sufferers. One reason is that few are attracted to the work. Zhang Xiurong, 50, a care assistant at Qianhe, is paid less than 3,000 yuan ($450) a month, close to the average national migrant wage, to provide all patients' basic needs 12 hours a day, with only four days off a month. "No Chinese parent wants their one daughter to work in a hospital cleaning bedpans," says Michael Phillips of the Shanghai Jiao Tong University School of Medicine.

In the West most patients go to a care home for the final brutal stages of the disease, which can last more than a year. In China families carry most of the burden from beginning to end. The government has long underinvested in social care, assuming that adult children will take responsibility. But this is unsustainable. Plunging birth rates since the 1970s, exacerbated by a one-child-per-couple policy, mean that the number of working-age adults per person over 65 will fall by 2050 from ten to 2.5. Migration into cities (see box on next page) is leaving some elderly people in the countryside without family members to care for them.

Need for new thinking

The government has been slow to recognise the scale of the problem. It funds some dementia research, but the money goes to scientists looking for a cure, rather than to those trying to find ways of alleviating the suffering of patients who have no chance of one. "People don't get Nobel prizes or grants for developing a strategy for community care," says Dr Phillips.

In any country care can be expensive, both for families and governments. In China the government will find itself having to spend much more as relatives prove unequal to the task. Because family members rarely understand the condition, more than 90% of dementia cases go undetected, according to a study led by Ruoling Chen of King's College in London. Sufferers will benefit when the government at last realises it has to step in. ■

Left-behind children

A slow awakening

BEIJING

The government recognises a huge problem. Now it must tackle it

AROUND 270m people have left China's countryside to work in urban areas, many of them entrusting their children to the care of a lone parent, grandparents, relatives or other guardians. By 2010 there were 61m of these "left-behind children", according to the All-China Women's Federation. In a directive released on February 14th, the government has at last shown that it recognises the problems caused by the splintering of so many families. The document acknowledges that there has been a "strong reaction" from the public to the plight of affected children. It describes improving their lot as "urgent".

That is clearly right. There have been numerous stories in recent years revealing the horrors some of these children endure. Last year four siblings left alone in the south-western province of Guizhou apparently committed suicide by drinking pesticide. Numerous sex-abuse cases involving left-behind children have come to light.

The new proposals look sensible enough: minors may not be abandoned entirely; local institutions such as schools and hospitals must do more to notify the authorities of cases of abuse or neglect; social workers should monitor the welfare of left-behind children. Sadly, however, the government's suggested remedies will achieve little. They largely replicate recent laws and policies designed to protect children (not just left-behind ones), which have been almost universally unenforced. It is already illegal to allow minors to live alone, for example. There is no indication that the new recommendations will be made law or implemented any more rigorously.

The new scheme mentions the importance of giving migrants urban *hukou*, or household-registration certificates, which are needed to gain access to public services such as education and health care. Most migrants leave their children in the countryside because they do not have such papers. In December the government announced plans to make it easier for migrants to gain urban *hukou* privileges. But few casual labourers are likely to fulfil the still-onerous conditions that must be met to qualify.

A study published last year by researchers at Stanford University found that among more than 140,000 children assessed in areas such as education, health and nutrition, left-behind ones performed as well as or better than those living in the countryside with both parents. But both kinds of children lagged far behind those who grow up in cities.

Trees in Hong Kong

Fragrant arbour

HONG KONG

Thieves are destroying the tree that gave Hong Kong its name

YEUNG SIU YU points to where a large, old tree has been hacked with a blade. Villagers have erected a metal fence around the trunk to prevent further attacks, but they fear there will be more: low-hanging limbs are still exposed. "The thieves will come back for this piece," says Mr Yeung, pointing to the stump of a branch just above his head.

Mr Yeung forsook city life to keep bees on the carefree (and car-free) island of Lamma, a couple of miles from the main island of Hong Kong where the territory's government and financial centre lie. Lamma's tropical gardens and verdant jungle are magnets for nature-lovers like Mr Yeung. They worry, however, that one of the most cherished species, the incense tree (*Aquilaria sinensis*), faces a growing threat to its survival.

The evergreen tree is endemic to southern China. Its lightly scented timber is used to make incense sticks. When damaged, the tree's aromatic resin may develop into a dark, dense substance known as agarwood, which is prized for its supposed medicinal properties. Trade in the tree's produce was once so important locally that a port handling such business was named "fragrant harbour". The British later applied that name—"Hong Kong"—to the colony they founded around the port. The commercial harvesting of incense trees ended in the territory more than a century ago. Nowadays most specimens are growing in the wild, including in woodlands preserved by ancient villages.

To protect incense trees, the Convention on International Trade in Endangered Species of Wild Fauna and Flora restricts trading in agarwood. But Hong Kong does not single out those who destroy or damage the trees for harsh treatment. If an incense tree is on government-managed land, the maximum sentence for cutting it down is the same as it is for felling any other kind of tree on such property: a fine of HK$25,000 ($3,210) and a year in prison.

Such penalties do little to deter thieves from mainland China, who are encouraged by growing demand for exotic medicines among members of the mainland's fast-growing middle class. Professor C.Y. Jim of the University of Hong Kong reckons that in 2013 high-grade agarwood was worth $1,600 a gram on the black market. That is more than gold. According to Mr Jim, Hong Kong may be the "last refuge" of the tree, so it has become a "honeypot" for tree-snatchers.

Most of the thieves work for criminal gangs based across the border in mainland China. In recent years a relaxation of restrictions on travel from the mainland to Hong Kong has made their work easier. They often pretend to be hikers, sometimes camping out for weeks while gathering the timber. A local NGO has produced a map showing about 200 sites from which it says around 500 trees were stolen in the past year. Ho Pui Han, who runs the group, says there may be only 100 mature trees left in the territory. She is incensed.

A copse in need of cops

Very few incense trees form agarwood, so they are often destroyed indiscriminately. On Lamma, a plaque marks a spot where three young trees were uprooted. A short scramble up a steep slope reveals a gorier scene: splintered woodchips are all that remain of an aged tree. Mr Yeung, the beekeeper, says "hunters" felled and butchered it in situ. As supplies diminish, the gangs are becoming more desperate. Thieves are raiding private gardens; some residents have begun organising patrols to frighten the thieves away. Alarms and monitoring cameras are being installed.

Ms Ho says the "sacred" relationship between villagers and woodlands is a vital part of Hong Kong tradition. "Their ancestors told them they must not cut down one single tree," she says. Several thieves have been arrested recently (including on Lamma). But conservationists say the government has to try much harder. ■

Banyan | Core values

A rotten new flavour of Chinese propaganda

IT WAS by some distance the year-to-date's biggest television event. Some 690m people in China are estimated to have watched (or snoozed through) the four-and-a-half-hour extravaganza screened nationwide on state television on February 7th, the eve of the Chinese new year. It was a stultifying procession of patriotic songs ("Forge ahead, beautiful China"; "Iron and blood loyalty"), insipid skits and bald propaganda. "Without the Communist Party, there would be no new China" is a jolly enough tune, but hardly festive fare. The gala even included a parade of soldiers strutting about the stage in combat fatigues.

On the same day, 112m Americans tuned in to the Super Bowl, a big American football game with more than its share of flag-waving, too. But at least that event was bone-crunchingly exciting, and its half-time show intriguingly subversive (Beyoncé appeared in a Black Panther outfit). By contrast, the live broadcast in China was politically correct to a mind-numbing extreme. The year of the monkey was ushered in by a show that many citizens decried as a turkey. Moaning about the *chunwan*, as the programme is commonly called, is as much a tradition as the entertainment itself, an annual event since 1983. This year was different, however: the show was seen as having plumbed new depths. Worse, even saying so was, in effect, banned.

On the state broadcaster's account on Weibo, a microblogging service, the comments section was temporarily shut down as viewers bombarded it with complaints. Since then censors have been busy deleting posts about the surfeit of political puffery. Peidong Yang, a sociologist at the National Technological University in Singapore, who has followed the shows closely, says this year's was more than usually full of it. Many viewers joked that it was like watching the news.

What passed for new-year entertainment on television this year formed part of a revival of another of the party's traditions: the political campaign. This never died out entirely. But under Xi Jinping, the party's leader since 2012, it has gathered new momentum. For over a year, the press has urged people to study his obscure doctrine of the "Four Comprehensives" (getting richer, reforming the economy, enforcing the law and cleaning up the party). This featured, inevitably, in the *chunwan*, and also in a cartoon by the official news agency, using rap, zippy animation, Mr Xi's own voice and even Beethoven's "Ode to Joy" to convey the message that the Four Comprehensives will bring China close to realising the "Chinese Dream" (another of Mr Xi's slogans).

The gala was graced by vast images of Mr Xi, the object of an inchoate personality cult. This year the fawning has acquired a new feature, with references to him as the *hexin*, or "core", of China's leadership. Local leaders have taken to professing their loyalty to Mr Xi, using this word. It recalls the campaign in the early 1990s to boost the party leader at the time, Jiang Zemin, through constant references to the "third generation of revolutionary leaders", with Mr Jiang as their "core"—ie, as Mao Zedong had been to the first generation and Deng Xiaoping to the second. Back then, Mr Jiang seemed to need the help. Unexpectedly picked to lead the party after the turmoil of the Tiananmen protests and the killings that ended them in 1989, he was seen by some as a powerless cipher for a bunch of gerontocrats who still called the shots from their bath-chairs and bridge tables.

When the party managed its first smooth leadership transition to the fourth generation in 2002, that feat was also hailed as a shift to a new style of collective leadership. It became taboo to use the word *hexin* to describe the status of Hu Jintao, Mr Xi's predecessor; among his party colleagues, Mr Hu was always simply known as "general secretary". Mr Xi, however, wants to be seen as more than a first among equals. Chinese media are playing along. One of their new fads is the use of the word "Xiconomics" to describe the president's professed zeal for "supply-side" economic reforms. That the prime minister, Li Keqiang, is notionally in charge of running the economy is conveniently ignored.

Mr Xi has already succeeded in ousting his most prominent rivals and instilling fear throughout the party with his anti-corruption campaign. Moreover, by strengthening the role of high-level party committees, led by himself, he has his hands on most of the levers of power. So it is not obvious why his status needs further enhancement. One possibility is that the revived usage of "core" is a product of feverish politicking in Beijing. Next year the party will hold a five-yearly congress. According to party rules, five of the seven members of its highest body, the Politburo Standing Committee, should stand down because of their ages. Only Mr Xi and Mr Li are due to stay. So intense jockeying is already under way for the vacancies. Officials may see expressions of loyalty to Mr Xi, and acknowledgment of his supreme power, as a way of improving their career prospects.

It may also be that Mr Xi demands such homage as a way of stifling resistance to his policies, his accumulation of power and his purge of the corrupt. Economic growth is slowing, and markets are turbulent. Leaders may calculate that pre-emptive repression is safer than waiting to see if China's myriad malcontents coalesce into something resembling an opposition.

Confidence tricks

Repression carries costs of its own. In one deleted post on the gala, for example, Ren Zhiqiang, a property tycoon with 37.5m Weibo followers, asked sarcastically whether stopping criticism showed self-confidence. In another, Wu Wei, a liberal former official, approvingly reposted a comment that the worst thing about the gala was not how lousy it was but how the right to say so was gradually vanishing. The censorship looks petty, silly and, worse, panicky. But the party has never been as concerned with how things look as with keeping an iron grip on power. If it were a corporation, that would be its core business. ■

Vladimir Putin's war in Syria

Why would he stop now?

Also in this section

BEIRUT, KILIS AND MOSCOW

Russian bombers have brought the regime of Bashar al-Assad within sight of victory, but the bloodshed and dangers are growing

IT MIGHT have been a moment of hope: an internationally negotiated ceasefire that would lead to a political deal to end a war that has probably killed nearly half a million people and turned millions more into refugees. The accord was thrashed out by America and Russia on February 12th in the wings of the annual Munich Security Conference, endorsed by the 17-nation International Syria Support Group—a cruel misnomer if ever there was one. Its chances of success were never good.

Humanitarian aid to besieged towns was supposed to be the first part of the deal, followed by a "cessation of hostilities" within a week. There are some signs of the former—the UN announced an agreement with the regime on February 16th for access to seven towns, perhaps including air-drops into Deir al-Zor, a city largely held by Islamic State (IS). On February 17th some aid convoys began to roll out of Damascus. But there remains virtually no prospect of a ceasefire.

Nobody should be surprised, given the cheerful assertion by Sergei Lavrov, Russian's foreign minister, that, despite signing the agreement, Russia would continue its air strikes against those it regards as "terrorists". That is an elastic term. Jabhat al-Nusra (JAN), al-Qaeda's powerful Syrian arm, fights alongside many other forces, both jihadist outfits and less extreme ones supported by the West, so Russia feels justified in bombing just about any rebels it chooses.

Since Russia's intervention at the end of September, supposedly to attack IS and JAN, the dynamics on the ground have been transformed. Once close to collapse, the regime of Bashar al-Assad is now confident of its survival and intent on regaining control of more territory. Pro-Assad forces are encircling the rebel-held parts of Aleppo, once Syria's biggest city. Why should he and Mr Putin stop now?

The only puzzle is what John Kerry, America's secretary of state, thought he could achieve through his agreement with Mr Lavrov—except, perhaps, to expose Russian cynicism. As John McCain, the chairman of the Senate armed services committee, put it: "This is diplomacy in the service of military aggression. And it is working because we are letting it."

In the few days since the Munich agreement, the war has, if anything, widened and intensified. On February 15th nearly 50 civilians were killed when missiles hit rebel-held areas of Syria. At least 14 were killed in the northern town of Azaz when missiles hit two hospitals and a school where refugees were sheltering. Missiles also struck a hospital in Marat Numan, in Idlib province, south of Aleppo (see map on the next page). In all, five medical facilities were targeted. The UN condemned the attacks as a violation of international law. Turkey's foreign ministry accused Russia of "an obvious war crime".

The animosity between Moscow and Ankara is further fuelled by the advance of the Syrian Democratic Forces (SDF), an alliance of Kurdish and Arab fighters under the umbrella of the PYD, the main Syrian Kurdish force. This had been America's most reliable ally on the ground against IS. But now, aided by Russian planes and weapons deliveries, it is fighting in tacit alliance with Mr Assad's regime. On February 2nd the SDF severed the corridor between Aleppo and the Turkish border that is critical for rebel supplies. On February 15th it seized control of Tel Rifaat, one of the first towns to rise up against Mr Assad, squeezing the "Azaz pocket", a rebel bastion on the border with Turkey.

The rush to Rojava

The Kurds want to carve out a continuous autonomous area by linking up the two enclaves they control along Syria's border with Turkey. In the recently opened PYD office in Moscow, there is a map of a future Syrian Kurdistan, called "Rojava". It covers a lot of territory.

Turkey is determined to stop the Kurds and has been shelling them for the past week. Its prime minister, Ahmet Davutoglu, says that Turkey "will not let Azaz fall" and threatens a "severe response" if the Kurdish-led forces try to take the town.

Tens of thousands of refugees are flowing out of Aleppo, heading both north towards the Turkish border town, Kilis, and ▸▸

west into mainly rebel-held Idlib. The regime seems all too happy to let the city's population flow out through its siege lines.

Noah Bonsey of the International Crisis Group, a think-tank, believes that there is nothing indiscriminate about the bombing of civilian areas and infrastructure, including schools and hospitals. Both Aleppo's main hospitals were systematically destroyed by Russian air strikes last week. The aim is twofold: to terrify civilians into leaving, so that even more ruthless tactics can be used against the fighters who remain; and to raise the price of resistance to the point at which communities will put pressure on fighters to accept whatever ceasefire terms the regime is prepared to offer, as happened in Homs two months ago.

Western diplomats accuse Russia's president, Vladimir Putin, of "weaponising" refugees to threaten Europe and punish Turkey, which supports the rebels and in November shot down a Russian plane that had crossed into its airspace. Turkey is doing everything it can to hold back the exodus from Aleppo by building big refugee camps on the Syrian side of the border. It is not yet clear whether it is prepared to defend these new camps against Russian or regime attacks. If it is, it could be the prelude to establishing an informal safe zone along the border—something the Turks have long demanded, but which America has refused to do, even when it would have been a lot less dangerous than it is now. Shooting down stray regime helicopters is one thing; risking a direct military confrontation with Russia is quite another. Syrian opposition leaders see it only slightly differently. One says: "It looks like Turkey is trying to create a humanitarian crisis. They think that maybe it could make the West finally act."

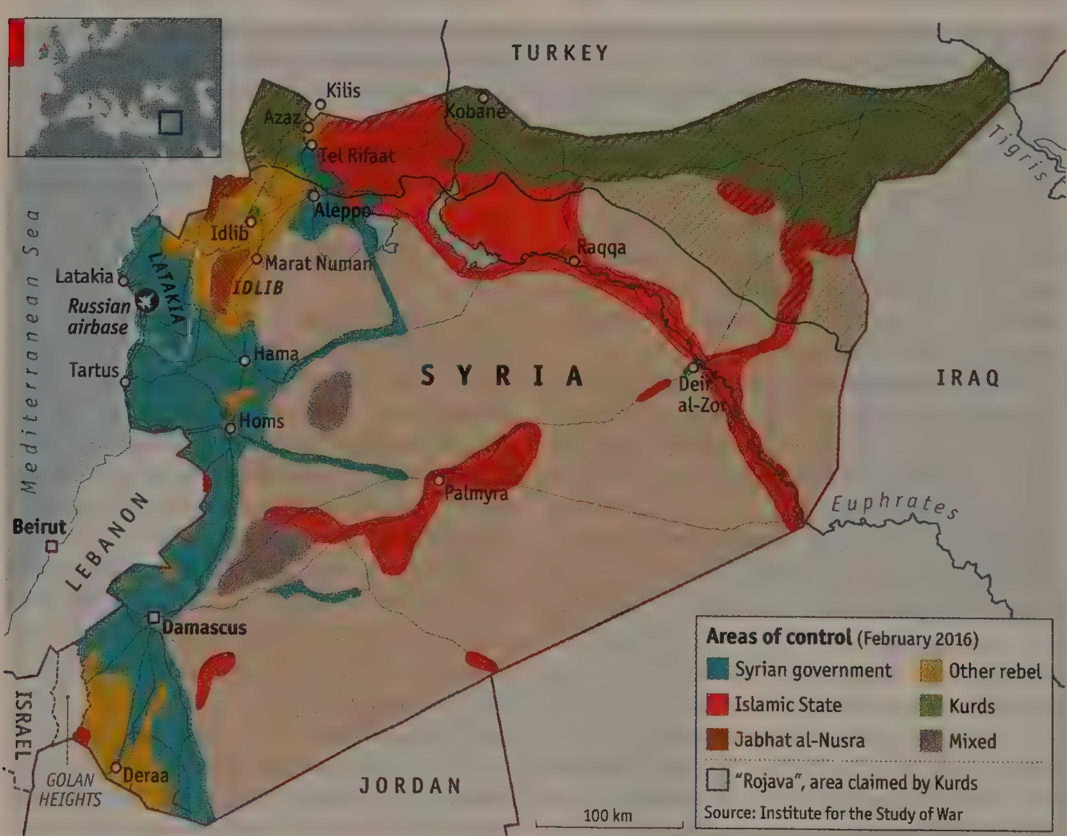
In fact, there is little prospect of Western intervention. Even if Russia and Turkey come to blows in Syria it is not at all clear that NATO, of which Turkey is a member, would be obliged to come to its aid unless Turkey's own territory were under attack. The desperate diplomatic floundering of Mr Kerry suggests that President Barack Obama, with only a year left in office, will not adopt a more hawkish approach unless events force him to.

In the absence of direct Western military intervention, most military analysts doubt that much can be done to stave off further rebel defeats. The Saudis are thinking of supplying them with shoulder-fired anti-aircraft missiles. But America rejects this idea because of the danger that they would be used by terrorists to shoot down passenger airliners around the world.

None of this means that Aleppo will fall quickly to regime forces. There are about 40,000 battle-hardened rebel fighters from more than 50 opposition groups still in the city. Most have remained relatively independent of JAN. As a recent analysis by the Institute for the Study of War, a think-tank in Washington, DC, argues, they are a resilient bunch. However, the think-tank warns that the pressure of the coming siege will be used by JAN and its Salafi-jihadist ally, Ahrar al-Sham, to get moderate groups, who feel betrayed by the West, to merge with them. That would play into the regime's account of the opposition being composed only of "terrorists".

Without Russian air support the pro-regime forces ranged against them would look a lot less formidable. There are relatively few units of the Alawite-led Syrian army left. By the middle of last year it was on the brink of disintegration. It is now being retrained and rearmed by the Russians, but it is largely deployed close to the regime's heartland in Damascus and Latakia. Most of the forces around Aleppo are Iranian-led Shia militias, from Lebanon and Iraq, with some fighters from Afghanistan and Pakistan. Western intelligence sources put their number at about 15,000, not including around 5,000 from Hizbullah, the powerful Lebanese Shia militia. Some Russian Spetsnaz special forces are working on the ground, co-ordinating air strikes. One rebel commander said: "We can beat them on the battlefield. Our men have been fighting them for five years and this is their terrain. But the Russian bombings make the difference."

The West agonises over its self-inflicted impotence, while Turkey and its Gulf allies flail and threaten. But Mr Putin has a clear strategy that appears to be succeeding on almost every level. A newly confident Mr Assad talks about retaking the country bit by ruined bit.



Vlad the victor

Mr Putin's immediate aim is to return Aleppo to government hands, allow the Kurds to create at least a semi-autonomous region in the north and then to use the suspended UN-sponsored peace process to lock in these gains. Underpinning this plan is his belief that a European Union bickering about refugees is desperate for the war to end at almost any cost, while Mr Obama has already given up trying (not very hard) to get rid of Mr Assad.

As a juicy carrot, Mr Putin will hold out the promise of a genuinely concerted attack on IS in eastern Syria to bolster the apparently feeble efforts of Mr Obama's coalition. He may get a deal; he may even be prepared to offer up Mr Assad as well, as long as he is replaced by someone Russia finds acceptable.

From a wider perspective, Mr Putin's strategy is paying dividends. His overarching reason for sending bombers to Syria, so soon after annexing Crimea and stirring up a separatist war in east Ukraine, is to force the West to take Russia seriously as a great power. In both cases the Kremlin portrays its action merely as a response to the provocative behaviour of America and its allies. In Mr Putin's mind the revolution in Kiev in February 2014 was the result of a Western plot to claw Ukraine away from Russia. Similarly, the war in Syria was fomented by the West with the aim of dislodging Mr Assad. It is now getting its comeuppance, he believes.

The flow of refugees into Europe, increased by Russian air strikes, is another bonus. Mr Putin has for several years been giving material support to populist and nativist parties in Europe that oppose the EU. They have been boosted by the union's floundering response to the migrant crisis. ▸▸

A weakened EU, Mr Putin calculates, should make it easier to keep the likes of Ukraine, Georgia and Belarus within Russia's sphere of influence.

Not least, the Syrian campaign is helping to maintain Mr Putin's approval ratings at home, which remain steady at more than 80% despite a painful recession in Russia, caused by cheap oil, Western sanctions and Mr Putin's own misgovernment. Russian television depicts the war as an action blockbuster to cheering viewers. After Russian bombs hit hospitals in Aleppo, it shifted the blame onto America by showing footage of US Air Force A-10s allegedly operating in the skies over the city. America's weary denial only confirmed its guilt. According to the Levada Centre, a pollster, nearly 60% of Russians support the war in Syria.

Yet however successful Mr Putin's strategy appears now, it is fraught with risk. Saudi Arabia, as the leader of a newly formed Islamic coalition, is conducting large-scale exercises, possibly in preparation for a ground campaign against IS. Turkey, to which the Saudis have recently sent planes, could become a partner. If they were to go ahead (and it remains a very big "if"), matters would be unlikely to stop there: regime forces could also come under attack, directly or indirectly. Russia would then either have to insert substantial ground forces of its own or back down, while America might have little option other than to support its allies.

At best Mr Putin will have to contend with an incomplete triumph. Even with the help of Russia, Iran and Shia mercenaries, Mr Assad can at most retake the populous western end of the country. He will continue to face a large, radicalised insurgency. Mr Putin may find it as difficult to withdraw from Syria as the West has from Afghanistan. Nor will his promise of working with America to defeat IS be honoured unless Sunni Arabs are prepared to take and hold IS's stronghold in Raqqa and the surrounding area can be taken and held by Sunni Arabs—in other words, those Russia now describes as "terrorists". Mr Putin and Mr Assad may feel like winners for now. But in Syria "winning" and "victory" are slippery terms. ■

Counting the dead

Quantifying carnage

How many people has Syria's civil war killed?

THE fog of war frustrates statisticians: knowing for sure how many Syrians have died can seem as difficult as brokering a lasting peace. The last precise death toll published by the UN was 191,369 in August 2014, followed by an estimate of more than 250,000 in August 2015. But it then stopped updating the figure because of dwindling sources of good information. On February 11th the Syrian Centre for Policy Research (SCPR), a non-profit group, claimed that the true figure is now almost double that estimate at about 470,000.

This number may seem large, but even the UN emphasised that its figures were conservative. It erred on the side of rigour rather than completeness, and only counted people whose names it knew and whose deaths were confirmed by more than one source.

Extreme conditions have forced more approximate approaches. The SCPR divided Syria into 700 regions, and asked three local experts in each to give detailed information. If one gave an answer more than 10% apart from the others, they were replaced with two different "informants". Rabie Nasser, an author of the report, says resampling happened in only about 10% of cases. The figure of 470,000, which comes with a 5% margin for error either side, is the sum of the average answers across regions.

Relying on people to estimate the body count in large areas rent by civil war is bold. All sorts of biases could have crept in, not to mention the risk that the "informants" will have tweaked their figures to suit their own political agenda (though Mr Nasser says his team tried to find independent sources).

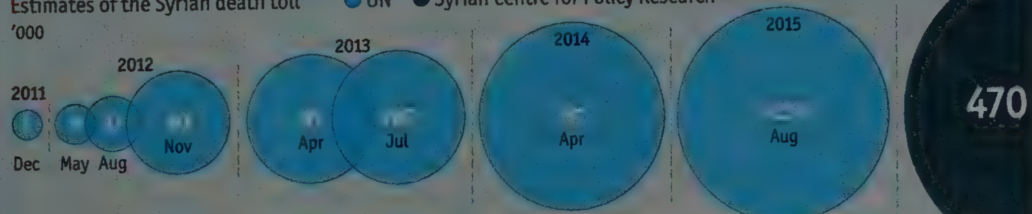
Nonetheless, 470,000 could be close to the true figure. Since mid-2015 Russian bombs have added to the casualties. And whereas the UN figure only included deaths directly caused by fighting, the SCPR figure includes indirect deaths (about 15% of the total). The war has blasted hospitals and ruptured supplies of clean water, allowing disease to spread. Over time, Mr Nasser expects indirect deaths to climb as a proportion of the total.

No one really knows how many have died in Syria; the 470,000 figure is only one estimate. The UN's approach is that with such decay in the underlying data, it is better to be cautious than to risk losing credibility. Mr Nasser takes a different line. "If you're in a conflict where people die, then you don't give up."

Counting corpses

Estimates of the Syrian death toll* ● UN ● Syrian Centre for Policy Research

'000



Sources: UN; Syrian Centre for Policy Research

*Dates refer to period of counting, not publication of estimate

Elections in Iran

The great candidate cull

TEHRAN

Choose any candidate you like—after the mullahs have excluded reformers

THE Islamic Republic of Iran, as its name suggests, has been a curious amalgam of people-power and theocracy from the start. For most of its 37 years clerics have firmly dominated. But as its revolutionaries age and a new generation of leaders courts a warm relationship with the West, the theologians seem to be growing fearful about where the country's elected politicians are leading it. In the run-up to parliamentary elections, scheduled for February 26th, they have clamped down more harshly than ever on candidates.

Were the vote a straight test of Hassan Rohani's popularity, his allies would surely win. The moderate president secured a deal with world powers last month that set aside the long crisis over his country's nuclear programme. Crushing economic sanctions have been lifted. Iran has gained access to tens of billions of dollars of assets previously frozen overseas. Oil exports have resumed and a $27 billion contract with Airbus for 118 planes, signed when Mr Rohani visited the French president, François Hollande, at the Élysée Palace, has provided a glimpse of the potential riches on offer to a nation long isolated. Yet voters, and their representatives, also have to contend with the ruling clergy.

The Council of Guardians, a constitutional watchdog of backers of Ayatollah Ali Khamenei, the supreme leader, that vets contenders for their supposed loyalty, disqualified about 60% of the 12,000 people who came forward as parliamentary candidates, about twice the rate of previous elections. Roughly a quarter of those kicked off the list won appeals but, even so, ▸▸

half of those who had wanted to stand for office were prevented from doing so.

Nor were the Guardians even-handed. Reformists were hit hardest. In the first cut only 30 of about 3,000 were approved, leaving large parts of the country without even a single reformist candidate. "They want an Islamic Re- without the public," quipped one observer.

The stacked vote means that Mr Rohani may have to stomach a parliament that will continue to resist his social and political programme. For almost three years he has contended with conservatives who have bridled at his outreach to the West, even impeaching one of his ministers, and have stymied his economic, political and cultural initiatives.

That said, the popular Mr Rohani is not yet finished. Iran's naysayers look more rudderless than its reformists. Pragmatic conservatives know that without finance from the West the Islamic republic could collapse. Iran aspires to be a bubbly BRIC economy, but growth was sluggish last year. The government is saddled with debt, and with a crashing oil price and weak production (down from 5.8m bpd in 1978 to 2.8m today), its budget deficit is around 2.2% of GDP and growing. Prominent conservatives, including Ali Larijani, the speaker of parliament, have promised to support some of Mr Rohani's economic policies. "The parliament should legislate to remove obstacles to raising production and improve the business climate," Mr Larijani told an economic conference in Qom, the country's religious centre, on February 14th. A large number of independent candidates might sidle up to Mr Rohani, anxious to secure the funding his government dispenses. "While a pro-Rohani parliament looks in doubt, he should at least hope for one he can work with," says a veteran Iran hand.

That may not be enough to satisfy discontented Iranians to the left and the right. Many reformists remain bitter, not just about their electoral exclusion, but also at what they see as Mr Rohani's failure to keep his promises. During his 2013 election campaign he held up a key, vowing to release political prisoners, including many arrested in protests that followed a disputed election in 2009. Yet they remain behind bars. Initiatives to open sports stadiums to women and execute fewer people have similarly fallen foul of conservatives. After repeated humiliations in parliament Mr Rohani has suspended political and cultural reform to focus on the economy.

Also at stake in this election is the power to choose who will succeed Mr Khamenei, whose authority exceeds that of the president. On the same day that voters select MPs they will also choose members of the Assembly of Experts. This is a committee of clerics that will elect Mr Khamenei's successor should he die during its eight-year tenure. Given that the 76-year-old is frequently said to be suffering from prostate cancer, the committee may indeed be called upon to do so.

Although his succession was once a forbidden topic in Iran's media, life after Mr Khamenei has been openly discussed in the run-up to the elections. All this has made the Guardians even more guarded than usual: they disqualified almost 80% of potential candidates vying for the 88 seats, including all the women who applied. The rejects included Hassan Khomeini, a reformist cleric who is the grandson of the founder of the revolution, Ayatollah Ruhollah Khomeini. The 43-year-old, who plays football, posts pictures on Instagram and has criticised the Revolutionary Guards for meddling in politics, was deemed unsuitable for the assembly by the conservative Guardians.

Little effort has yet been made to court ordinary voters. With such a short campaign, there are as yet no billboards or signs of electioneering in Tehran. The only poster so far shows Mr Khamenei casting a ballot, signalling his desire for a strong turnout. Mr Rohani's hopes rest in a single list called the Alliance of Reformists and Government Supporters. The group's leader, Mohammad Reza Aref, a university professor whose withdrawal from elections in 2013 paved the way for Mr Rohani's victory, is its main candidate in Tehran. Yet with so many candidates barred from running, voters may simply stay at home. ■

Student protests in South Africa

Whiteness burning

JOHANNESBURG

Students are throwing "colonial" art on the pyre

FIRST they came for the statues. Last year students in Cape Town sparked national protests by calling on the University of Cape Town (UCT) to remove a statue of Cecil Rhodes, a Victorian imperialist who, like most Englishmen of his time, held racist views. The statue was removed but students were still angry. Many marched on South Africa's parliament to complain about high college fees, among other things. That prompted a cash-strapped government not to raise fees after all.

Protests about statues of dead racists soon spread around the world. Students demanded that Oriel College, Oxford take down its statue of Rhodes. (It refused.) The University of Texas at Austin has moved a bronze of Jefferson Davis, the Confederacy's president, and will put it in a museum.

Meanwhile, back in Cape Town, UCT students starting a new academic year after the long summer break were quick to resume protests, this time over gripes such as not having enough spaces in university dormitories. They stormed through the campus grabbing artworks and burning them. Most of the paintings they heaped on a bonfire were portraits of white historical figures. They were, declared one protester, "symbols of the coloniser".

Another protester proudly posted pictures of the bonfire on Twitter, showing flames licking at the edges of a plaque commemorating Jan Smuts, a British-educated general who was twice South Africa's prime minister and helped write the preamble to the UN's founding charter. The tweet accompanying it proclaimed: "Whiteness is burning".

Some of the art-burners might usefully ▸▸

have spent more time in the library studying South African history. Among the works they turned to ashes was a 1993 oil painting by a black anti-apartheid artist, Keresemose Richard Baholo. It was called "Extinguished Torch of Academic Freedom", one of a series of paintings depicting protests at the university.

Students defaced a statue of Smuts and a bust of Maria Fuller, one of the first four women to attend the university. She enrolled in 1886, when most courses were open only to men. She went on to play a role in opening a women's hall of residence. She was, however, white.

The protests are symptomatic of a resurgence of racial antagonism in South Africa, fanned by frustration over a slowing economy and high unemployment. More than two decades after apartheid ended black South Africans are still worse off than whites. Mostly, this is because they are less well educated, a result of apartheid's legacy and the government's failure to fix it. Bad education is a problem that starts long before students reach college.

Among the protesters' complaints at UCT was the implausible claim that whites were given preferential access to university accommodation. The protesters erected a corrugated tin shack on UCT's stately grounds as a symbol of how rough life is in black townships. They added a portable loo and overturned milk crates as chairs.

Some started a *shisa nyama*, grilling sausages and chops over charcoal. The flames spread. The small band of students refused to remove the shack, which university officials said was blocking traffic, and went on a rampage. They burned a car, a bus and the office of Max Price, the university's vice-chancellor. "It is utterly regrettable that a movement that began with such promise and purport to be fighting for social justice matters has now deteriorated into a group that engages in criminality," Mr Price said.

Little seems left of the lofty aims that prompted students to take to the streets last October, when they garnered widespread support for their argument that high tuition fees put a university education out of reach for black students from poor families. The shortage of housing at UCT is partly due to the success of those protests: enrolment has increased thanks to lower fees and measures to reduce student debt. Also, some university rooms are still occupied by students whose exams were delayed by last year's protests.

Students arrested for damaging property at UCT included several who are not obviously poor, such as the son of the chief executive of Eskom, the state power utility. Other universities have seen violent protests, too, largely over fees and overcrowding. A student leader at Walter Sisulu University told the *Daily Sun*, a tabloid: "We're going to destroy everything." ■

Elections in Uganda

No jam today

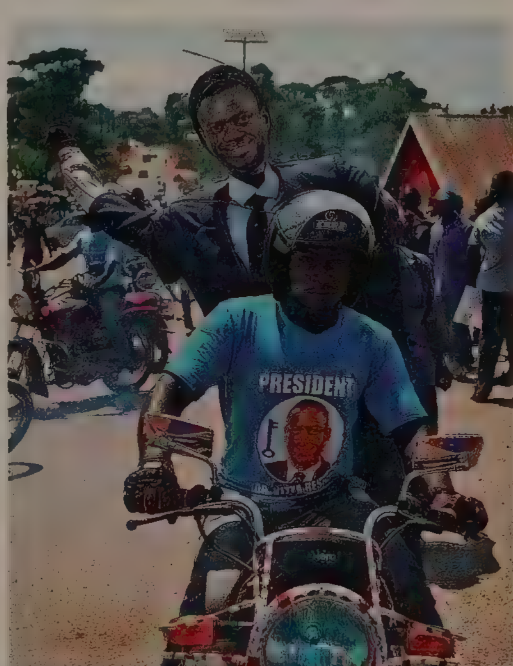
KAMPALA

The president of Uganda looks likely to hold on for another term

UGANDA'S president likes to keep people waiting. In a marquee in the grounds of a swanky hotel in Kampala, about 150 smartly dressed bigwigs were treated to a buffet breakfast. It helped pass the time until 12.30pm, when Yoweri Museveni finally turned up to launch a partly solar-powered electric bus. The Kayoola bus, designed by Kiira Motors, a state-owned firm, trundled around the hotel car park in front of a pack of cameras. Mr Museveni, clad in his trademark bright yellow shirt and wide-brimmed hat, then ambled back to the marquee to listen to tributes.

The photo opportunity, two days before the country's presidential election on February 18th, presented a contrast to events a few miles down the road the previous night. There police had fired tear gas and rubber bullets at supporters of Mr Museveni's main electoral rival, Kizza Besigye (pictured riding pillion). One person was killed and Mr Besigye, who had been briefly detained earlier that day, was taken home before he could address a rally.

Mr Museveni, who is running for a fifth term after 30 years in power, is facing what observers say is his most competitive election yet (voting was taking place as *The Economist* went to press). A poll released in January put Mr Museveni at 51% of the vote, exactly what he needs to avoid a runoff. Mr Besigye, the president's doctor during the bush wars in the 1980s, was on 32%. Amama Mbabazi, a former prime minister who split with Mr Museveni over his succession plans, languished at 12%.



Mr Besigye, still in the back seat

Polls are unreliable, however, so Mr Museveni is taking no chances. Policemen are not the only ones disrupting opposition rallies: the government has recruited hundreds of thousands of unemployed young men as "crime preventers". These militias have harassed opposition politicians and supporters, says Human Rights Watch, a watchdog. On February 13th police arrested a radio talk-show host mid-broadcast. He was charged with defacing posters of Mr Museveni.

Mr Museveni and his National Resistance Movement (NRM) also have far more money to hand. The 27 billion Ugandan shillings ($7.9m) splurged on his campaign in November and December accounted for 91.6% of spending by all candidates in those months. The Alliance for Campaign Finance Monitoring, the local lobby group that collected the data, says the NRM has bribed voters with hoes, saucepans, seeds, sugar and salt. Meanwhile, Uganda's press made much of people giving Mr Besigye cash, fruit and even cows, suggesting widespread support for his fourth campaign.

Change was the watchword among the opposition leader's blue-clad supporters on the last day of official campaigning, as his convoy inched through cheering crowds in eastern Kampala. More than one unemployed young man said he both expected Mr Besigye to win and would take to the streets to "fight" if the 71-year-old Mr Museveni triumphed.

The Electoral Commission is widely viewed as subservient to Mr Museveni, along with the police, army and judiciary. It didn't help matters by banning mobile phones from polling booths (limiting voters' ability to document irregularities). Mr Besigye has urged his supporters to cast their votes before midday on Thursday and stay until voting closes to make sure "nobody steals your victory". If, as is likely, Mr Museveni triumphs outright in the first round, his rivals' supporters will probably take to the streets.

If that were to happen, a heavy-handed response is likely. The police and army have not shown themselves gun-shy in dealing with protests in the past. Nor should Mr Museveni expect much criticism from Western governments, which have little leverage—Western aid has been suspended or cut in recent years after a corruption scandal and outrage over the treatment of Ugandan homosexuals.

In any case Mr Museveni has new friends. He spoke admiringly of the Chinese and Soviet models of state-led development as he launched the costly state-funded Kayoola bus—which reportedly broke down shortly afterwards. A spokeswoman denied the report, saying the bus was towed away to avoid a traffic jam. Meanwhile, Uganda continues to putter along in the slow lane. ■

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Anti-austerity politics

Fudging the revolution

LISBON, ROME AND MADRID

Italy and Portugal are leading a revolt against EU austerity, sort of

AUGUSTO SANTOS SILVA, the foreign minister of Portugal's three-month-old Socialist government, is a mild-mannered sociologist, not a firebrand. But this month he found himself swept up in the defiant anti-austerity mood that has been spreading across southern Europe. Portugal had just been chastised by the European Commission for submitting a budget that missed the 3% of GDP deficit limit the euro zone imposes on its members (the commission projected it would hit 3.4%).

In an interview on Portuguese television, Mr Santos Silva struck back against northern Europe's austerity preachers: "There are no professor-states or student-states in the EU." In turn Angela Merkel, Germany's chancellor, warned Portugal to maintain "solid finances".

Portugal and the commission quickly compromised on a new budget with an extra €1 billion in tax increases and spending cuts. But the tussle showed that Europe's war over austerity economics is back. Portugal's prime minister, António Costa, was elected on a pledge to "turn the page on austerity", and his government is backed by big-spending far-left parties. Meanwhile Italy's prime minister, Matteo Renzi, has been challenging Brussels budget hawks at every opportunity. In Spain, where coalition talks have been deadlocked since elections in December, the Socialists are considering a Portuguese-style alliance with the populists of Podemos.

In Greece the radical Syriza party remains in power, though its anti-austerity fire has dimmed. Even in Britain, the leader of the opposition, a leftist called Jeremy Corbyn, sees Mr Costa paving the way for a multinational "anti-austerity coalition". The Portuguese leader's supporters say he is the harbinger of an EU-wide shift.

This turn is not one that anyone would have predicted a year ago. Under its previous centre-right government, Portugal was the prize pupil of the EU's austerians. During the euro crisis, in exchange for a €78 billion ($87 billion) bail-out, the government slashed public-sector wages and benefits, raised taxes and liberalised the labour market. A sharp recession was followed by a modest recovery for the past two years.

But after an inconclusive election in October, Mr Costa struck a deal with the radical Left Bloc and the Portuguese Communist Party to back a minority Socialist government. In return he promised to undo cuts to pensions and public-sector wages. That irked Brussels. On February 2nd the commission said the budget risked violating euro-zone rules. It was anxious to discourage other euro-zone members from seeking flexibility, too.

If any country were to lead such a charge, it would be Italy. Mr Renzi's 2016 budget forecasts a deficit of 2.4% of GDP, but that is too high for the commission. Italy's public debt is an immense 130% of GDP; countries with debt over 60% of GDP are supposed to aim for surpluses. Yet Mr Renzi sees tight budgets as a drag on Italy's economy, which grew just 0.1% in the last quarter of 2015. Mr Renzi says he is fed up. "Europe cannot just be a grey technical debate about constraints, but must again be a great dream," he declared in January.

Mr Renzi now faces an added danger from proposals floated in Germany. These would impose stiffer obligations on banks in the euro zone and shift to government bond holders part of the cost of any future bail-out. Critics fear that implementing the proposals could spark another debt crisis that would engulf the countries on the EU's southern flank. Italy's banks are already burdened with around €350 billion of non-performing loans.

All of this encourages Mr Renzi's vision of leading a southern European anti-austerity rebellion. In a post on his website on February 1st, he said Italy's job was "to lead Europe, not to take orders in some palace in Brussels." But Italy's tremendous national debt leaves it little credibility to demand ▸▸

the freedom to spend more and tax less. And apart from Mr Renzi's vague calls for a "more socially oriented Europe", his alternative to the current EU remains frustratingly unclear.

Portugal's anti-austerity protests, too, may be more bark than bite. After the government announced its higher-deficit budget, its ten-year bond yields spiked scarily, from under 3% to 4.5%. Under pressure from the commission and markets, it backed off; besides the €1 billion in tax rises and spending cuts, it added further "Plan B" cuts in case of need. Pierre Moscovici, the commission's economics chief, said Portugal had been persuaded that EU budget rules "must be complied with". Mr Costa said the deal showed that governments can be fiscally responsible and still "follow their vision".

Yet the facts undercut both Mr Costa's claim to have turned back the clock on austerity and the EU's pretence of fiscal discipline. Several promised tax cuts have been scrapped. Without those boosts to domestic consumption, Portugal has cut its 2016 growth estimate from 2.1% to 1.8%. In 2015 Portugal promised the commission to cut its underlying structural deficit by 0.6 percentage points; the new budget realises only half that. Euro-zone finance ministers declared that the budget targets meant Portugal was not "in particularly serious non-compliance" with EU rules. The commission maintains that it has held the line on deficits, and Portugal claims to be the vanguard of an anti-austerity revolution. In fact, Europe is functioning as it always has: through compromises and fudge. ■

Russia's lawless economy

Night of the long scoops

MOSCOW

Smashing the little capitalists in Russia's capital

MUSCOVITES awoke last week to scenes of destruction. Shops and cafés lay in ruins. The perpetrators were not terrorists, but the city government, which dispatched excavators to destroy nearly 100 buildings that allegedly posed a danger to the public. For shopkeepers like Stanislav, who had manned a flower shop near a metro station in central Moscow, the demolition came as a shock: "Our owners called at lunch and said, 'Gather your things, they're coming tonight'." Locals dubbed it the "Night of the Long Scoops". A city government gazette, perhaps not spotting the Hitler reference, used the phrase in a headline.

Moscow's mayor, Sergei Sobyanin, wants to cleanse the city of street vendors. "One cannot hide behind property papers," he says. He claims that the businesses had obtained their title documents illegally. The owners deny that; many had successfully appealed to Moscow's courts to recognise their leases as legitimate. The city had even allowed them to hook up to utility grids. "For 25 years, nothing, then suddenly this," says Marzhana Gadzhieva, a saleswoman at a bakery slated for demolition later this month. Delovaya Rossiya, a business lobby, estimates the damages at around 22 billion roubles ($290m).

Private merchants first cropped up in the 1990s on the plazas around metro stations and in Moscow's ubiquitous underground passageways. Over the years, their makeshift kiosks evolved into more formal pavilions. The shops were ugly but convenient, offering everything from shawarma to mobile phones, often late into the night. Mr Sobyanin, who took office in 2010, quickly cleared out the informal street vendors; last December, the city council ordered a list of formalised pavilion owners to shut down, too. But few expected the demolition crews that arrived late on February 8th. Some

I think they're closed

shopkeepers hung up portraits of Vladimir Putin, Russia's president, hoping his image would keep the excavators at bay.

Critics of the mayor, such as Alexei Navalny, an opposition leader, suggest the authorities wanted to clear space for bigger businesses that can pay fatter bribes. But they also sent a message to stubborn landowners: any challenge to the government can be crushed. Property rights can be "declared 'a piece of paper'," writes Andrei Kolesnikov of the Moscow Carnegie Centre—hardly a good incentive to invest in an economy already struggling with sanctions and low oil prices.

Only last month Mr Putin told a business forum that small and medium-sized enterprises should be "the real foundation for our country's economic development." On paper, Russia's business climate has improved recently. But when paper rights meet steel scoopers, the paper tends to tear.

French politics

Comeback skid

PARIS

Nicolas Sarkozy's campaign for president hits a finance scandal

FRENCH politicians are better at avoiding retirement than avoiding the courtroom, or so it sometimes seems. The race is now on for the centre-right nomination in the country's presidential elections next year. The front-runners are a 61-year-old former president, Nicolas Sarkozy, who first won elected office in 1977, and a 70-year-old who served as prime minister two decades ago, Alain Juppé. Mr Juppé was once convicted of political corruption and banned from public office for a year. Now it is Mr Sarkozy's turn to be hauled before the judges.

On February 16th Mr Sarkozy was formally placed under investigation for breaching campaign-finance limits during his failed 2012 re-election bid. These fix the maximum a candidate can spend at €22.5m ($25.1m). Investigators are looking into whether Mr Sarkozy was aware that a system of false invoices charged to the party were in fact used for his own campaign. (He denies any knowledge of the subterfuge.) Over a dozen party officials have already been placed under investigation in connection with the affair, including Jérôme Lavrilleux, Mr Sarkozy's deputy campaign director, who first acknowledged the false invoices.

Mr Sarkozy's new brush with the law is plainly a set-back. He is already under formal investigation in a separate job-for-favours inquiry. An investigative judge must have good reason to believe that a suspect has breached the law before placing him under formal investigation. An inquiry can then take months, if not years, before a decision is taken as to whether the suspect is sent for trial. Yet investigative judges often enough pursue cases that end up being shelved. Mr Sarkozy, for instance, was put under formal investigation in 2013 for allegedly taking advantage of an elderly donor in connection with another campaign-fi- ▸▸

nance case, linked to his successful bid for the presidency in 2007. The case against him was later dropped.

French voters are mindful of this, even to the point of sympathy for those ensnared by the law. Mr Juppé, who was convicted in connection with a fake-jobs scandal under Jacques Chirac at the Paris town hall in the early 1990s, is a good example. A decade ago, after a year spent teaching in Canada while he was struck off the electoral register, he returned triumphantly to politics and served as Mr Sarkozy's foreign minister. Voters have warmed to the patrician leader, whom they once regarded as unforgivably stiff and technocratic. In 2014 Mr Juppé was re-elected mayor of Bordeaux with an ample majority.

Indeed, Mr Juppé is now favoured in the presidential primary which the Republicans, the centre-right opposition party, will hold in November. Among those who say they are certain to vote, he leads Mr Sarkozy by 44% to 32%, according to Ipsos, a pollster. Mr Juppé, who has moderate views on immigration and nationality, appeals more to the centre, and to those fatigued by the frenetic former president. Yet the pugnacious Mr Sarkozy, whose recent book about his mistakes in office shot to the top of the bestseller list, retains star appeal and support from the hard-core party faithful. Among Republican voters, he leads Mr Juppé by 42% to 37%.

In short, the more people turn out to vote at the primary, which is open to anybody who professes to share centre-right "values", the greater the chance that Mr Juppé will win. The contest promises to be tough and crowded, with a scattering of outsiders now piling in. Mr Sarkozy's fresh legal troubles will reinforce pre-existing negative views of him, says Federico Vacas, an analyst at Ipsos. But, he adds, "it would be a mistake to think that these will prompt his candidacy to collapse." ■

Europe's civil courts

The wheels of justice grind slow

Especially in southern Europe. This is not exceedingly fine

ALBERTO MUNNO, a judge in the southern Italian city of Taranto, believes he is being oppressed by his country's justice system. He has a rather good case. "I produce 160 verdicts per year—and the European Convention on Human Rights bans slavery," he complains. With a backlog of over 500 cases, the overworked judge recently postponed a civil hearing by three years. The owner of the firm involved, who filed a claim for €200,000 ($220,000) in 2014, will now have to wait until 2019 to have his case heard. It takes on average 1,210 days for Italy's judges to resolve a typical commercial dispute.

Though notorious for their lethargy, Italy's courts are not Europe's worst offenders. Slovenia's take even longer. Cyprus's can take over three years, more than thrice the wait in Germany and France. Italy's government has at least accepted that it has a problem. Matteo Renzi, the country's energetic prime minister, has made judicial reform a priority.

The European Commission is anxious to speed up Europe's courts. During the depths of the euro crisis, it introduced rules intended to harmonise the euro area's economies. Those included a chapter on justice. Greece's creditors even made changing the country's court procedures a precondition of its most recent bail-out. Dealing with cases quickly is, of course, not the only measure of a good legal system. (If it were, Russia's courts would outperform England's; and Islamic State's death-penalty jurisprudence would be a model for the world.) Nonetheless, the commission is right to worry. Long delays make it harder to do business; Italy estimates that legal sloth shrinks its GDP by 1%. Delays also damage the single market.

Trying their patience

Time taken to enforce a contract via the courts
2015, days

Source: World Bank

Litigation in Europe often crosses borders. In the absence of a system of federal European courts, the judges from one member state must take the lead. The thicket of rules that decide which state will take a particular case are known as the Brussels regulation. For many years, this system held that the first court to receive a lawsuit should decide whether to hear it. That gave rise to a range of manoeuvres devised by clever lawyers. One, the so-called "Italian torpedo", involves a plaintiff filing a claim in Italy in a bid to delay proceedings. (A manufacturer might file a frivolous patent infringement claim to fend off a real one.) Even deciding to pass the case to another country could take several years. The regulations were reformed last year, and courts are now supposed to respect contracts that specify which country has jurisdiction. But where the choice is ambiguous, the torpedo may still be armed.

Several things slow down European civil justice, says Giuliana Palumbo, a researcher at Italy's national bank and the author of a paper on the subject. First, procedure matters. Slow jurisdictions, like Italy, let lawyers adduce new evidence whenever they want, allowing them to prolong a case with new submissions. Quicker ones, like France, give judges the power to impose strict deadlines. Second, how judges get promoted is important. Some countries ignore judges' managerial prowess when deciding whom to promote. That gives ambitious younger judges no incentive to clear their dockets. A third factor is how lawyers are paid. Some countries limit the hourly fee they can charge for a given service. That can make stretching out a case the only way to earn more. Most jurisdictions have some of these problems. Italy has all three, Ms Palumbo sighs.

Some remedies are both obvious and cheap. Binning the fax machines and shifting to the internet can speed up cases. Estonia lets plaintiffs file a claim, submit evidence and even appeal a court decision online. Judges and clerks should also think like managers, Ms Palumbo says. Promoting judges based on their case-management skills, and getting them involved in budgeting, can help to focus their minds.

Lawyers are also to blame, though. One problem is that southern Europe simply has too many of them. Greece and Italy have almost 400 lawyers per 100,000 residents. (That is about the same outlandish ratio that prevails in notoriously litigious America.) France makes do with only 85. Jean-Paul Jean, a French judge who chairs the Council of Europe's justice committee, notes that there is a "strange overlap" between the countries where trials take a long time and those with lots of lawyers. (Luxembourg is a notable exception.) Numerous, eloquent and organised, they form a powerful lobby in most southern European countries.

That makes reform difficult. Greek lawyers showed their political muscle last month, going on strike to protest against cuts to their pensions. Since Greek courts already take more than four years to enforce a contract, the striking lawyers' clients may not notice the difference. ■

Charlemagne | A graveyard of ambition

Turkey is where European foreign policy went to die

ONE of Turkey's more forlorn sights is tucked down an Ankara side street inside the EU affairs ministry. At the top of a small staircase lurks a poster depicting a sprawling tree, its lower branches bereft and leafless but its top half a lush burst of greenery. A caption explains the symbolism: "Let's bring a dynamic industry, young workforce and unique cultural diversity to freshen and revive the European Union. By welcoming Turkey."

This relic speaks of a happier time, when Turkey was confident enough in its bid for EU membership to present itself as a tonic to a tired continent. Travel around the country today, as Charlemagne did last week on a trip organised by the European Council on Foreign Relations, a think-tank, and you encounter a different mood. For many Turks opposed to the ruling Justice and Development (AK) party, the EU's name means betrayal.

In Istanbul liberals lament that Europe turns a blind eye to the authoritarian habits of Recep Tayyip Erdogan, a president with a penchant for beating up journalists and tampering with the judiciary. Refugees in Gaziantep, near Syria, do not understand why Germany worries more about the migrants reaching rich Europe than the hundreds of thousands of Syrians facing death at the hands of Bashar al-Assad and his Russian enablers. Kurds in the south-east say that Angela Merkel, Germany's chancellor, ignores the plight of towns like Cizre, besieged by Turkish troops.

Little wonder they feel let down. Turkey's south-east is a simmering cauldron of violence. Since last summer Turkish forces and young rebels affiliated with the Kurdistan Workers' Party (PKK) have been locked in a spiral of violence that has left hundreds of civilians dead. Cities are in lockdown; in Diyarbakir the air is thick with tear gas and the crump of artillery. Locals warn of further escalation in the spring, when battle-hardened fighters of the PKK leave their winter redoubts in northern Iraq.

Elsewhere Mr Erdogan continues his authoritarian march. Beset by allegations of corruption in AK and opposed by former allies, he is single-mindedly pursuing a constitutional change that would extend the powers of his presidency. Terrified journalists censor themselves before government goons do it for them. Public contracts reward friends; foes are fined for supposed tax violations. Turkey's political and ethnic cleavages grow ever wider.

Meanwhile the region is aflame. The fighting around Aleppo (see page 39), over the Syrian border, has created a fresh stream of refugees. Desperate to stop Syrian Kurds from expanding their territory along the border, Turkey has begun shelling their positions. Russia's escalation, and its alliance of convenience with the Kurds, has weakened Turkey's hand. Mr Erdogan's war of words with Vladimir Putin is dangerously heated. Meanwhile America, a NATO ally, rejects Turkish demands that it disown the Syrian Kurds, who are useful in fighting Islamic State (IS). A car bomb which killed at least 28 people in Ankara on February 17th showed that the violence is spreading to Turkey's heartland.

It is easy to see why Europe's refugee problem might not be at the top of Turkey's in-tray. Europeans optimistically say that Turkey's troubles present them with an opening, for Mr Erdogan needs friends. But that misreads the view from Ankara. In Syria Mr Erdogan wants to smash the Kurds and hold the line against Mr Assad; at home he seeks to consolidate his rule and squeeze the opposition. The EU is not able to help him achieve these goals. And so, while leaders like Mrs Merkel (rightly) praise Turkey for welcoming 2.5m Syrians onto its soil and express sympathy for its strategic predicament, Mr Erdogan responds with insults and threatens to bus millions of refugees to Greece and Bulgaria.

The Europeans will have to accept such tough talk in their bid to secure Turkish help to reduce the migrant flow. The EU's promise of visa-free travel for Turks in exchange for a cut in the number of migrants, agreed on late last year, is a genuine prize for the Turks ("Visiting Germany is harder than buying land in heaven," says one). But Europe is in a rush, and Mr Erdogan is not. Hence Mrs Merkel's endless meetings with Turkish officials. Hence the EU's willingness to overlook Mr Erdogan's excesses. And hence the sense of betrayal among his domestic antagonists. "We need pressure from outside," says Firat Anli, the co-mayor of Diyarbakir. "Otherwise we see where the state's reflexes lead."

An insincere invitation

In this telling, the Europeans might be able to blunt Mr Erdogan's sharper edges if only they were brave enough to shed their hypocrisies. Certainly the EU was once a force in Turkish politics. In the early years of AK rule it was a useful anchor for Mr Erdogan's economic and legal reforms, and an ally in his battle against Turkey's old secular elite and their friends in the army.

Yet the EU lost its clout years ago. Soon after membership talks began in 2005, Turkey fell victim to the sharp tongue of Nicolas Sarkozy, a former (and possible future) French president who once dismissed Turkey as part of "Asia Minor", and the veto-wielding Cypriot government, which was let into the EU before solving its own Turkish problem. When Turkish citizens realised that accession was going nowhere, they lost interest. And once Mr Erdogan had got what he wanted from the process, he discarded it and moved on. Pro-EU Turks were left adrift.

They have not lost hope. Support for membership is climbing as Mr Erdogan tightens his grip, and at least Turkey and Europe are talking again. Turkey's local troubles have left it more dependent on EU markets and investment. Even the stand-off on Cyprus may be near a solution. Had Europe pledged a decade ago to allow Turkey's application to go forward, and convinced Ankara (and itself) that membership was a realistic prospect, it might not find itself so helpless today. Last year's deal may have been grubby and it may turn out to be pointless, but by the time it was signed, the EU had nothing left to lose. It is hard to think of a stronger indictment of Europe's foreign policy. ■

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Wales

Full steam ahead?

EBBW VALE

An early trailblazer of devolution is setting a rather sedate pace

IT IS nearly 20 years since Wales was granted its own National Assembly, a historic devolution of power from London that the then British prime minister, Tony Blair, later said had given "a lead to the rest of the UK—and to Europe". Since that reform, triggered by a referendum in 1997, further rounds of devolution have given Welsh politicians control over policy areas including housing, health and education. Yet today in Ebbw Vale, a former steel town in the country's deep south, few locals seem enthusiastic about their national government. "It's a waste of money and a waste of time," says Wayne Grist, a butcher, who is among the more diplomatic of the government's critics.

Undeterred, the Conservative government plans to devolve more powers from Westminster to the Welsh capital, Cardiff. It is part of a promised "devolution revolution" in which English cities will get more powers over transport, planning and, in some cases, health care, and Scotland will, from next year, get the right to set some taxes and welfare payments (the result of panicky promises made by English politicians ahead of a referendum on Scottish independence in 2014, which at the time looked too close to call).

In Wales the latest proposed round of devolution has proved no more enticing than previous ones. Its unpopularity hints at why devolution there has, so far, not been a huge success—and how other places could encounter similar problems.

Independence has never set Welsh hearts beating as it does Scots'. Only half the electorate voted in the referendum of 1997; the measure to create a National Assembly passed by a margin of just 0.3% of the vote. Another referendum in 2011, to give the Assembly more powers, was passed with a turnout of 35%.

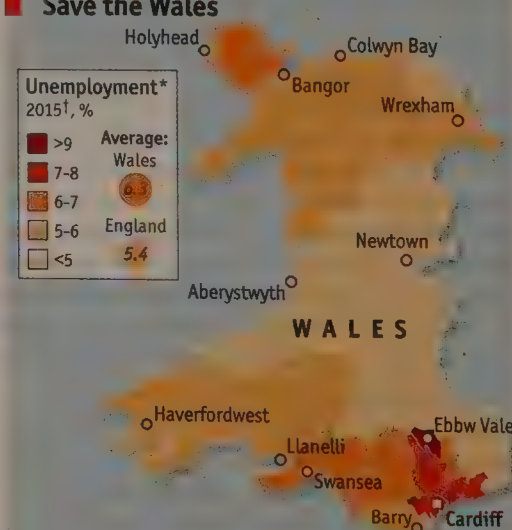
The latest proposals, which were put before the Assembly in October and must later be passed by Parliament, would change from a "conferred powers" model, where the areas in which the Assembly can legislate are laid out, to a "reserve powers" model, where the areas in which the Assembly cannot legislate are listed, as in Scotland. That would mean Welsh ministers getting control of a few more policy areas, including transport (regulating ports, setting road speed-limits, licensing taxis and so on) and marine licensing. The bill would formally declare the Assembly to be permanent. And it would create a "funding floor" for Wales, at 115% of comparable spending per head in England, its richer neighbour.

It has been roundly criticised by Welsh politicians, many of whom suspect the new settlement could end up being more restrictive than the current one. The "reserve powers" list is longer and more complex than Scotland's, and details over tax devolution and the funding floor are vague. Carwyn Jones, the Labour first minister of Wales, has warned that it could create an "English veto" by requiring the Assembly to get permission from Westminster to pass certain laws that until now it has been able to pass freely (the British government disputes this).

Although the bill has fired up Welsh politicians, few ordinary people are interested. A poll by ICM in 2015 found that only 40% thought the Assembly should have more powers, down from 49% the previous year (at the time of the Scottish referendum). Fully 13% thought the Assembly should be scrapped and Wales governed from Westminster. Partly this reflects the piecemeal approach of Welsh devolution, which could put off even the most diehard ▸▸

Internship
The Britain section is looking for an intern to work for several months in *The Economist*'s London offices this summer. Applicants should send a CV and an original article of 600-700 words, suitable for publication in the section. A salary of £2,000 per month will be paid. Applications must reach us by March 20th at britainintern@economist.com

Save the Wales



Sources: ONS; ©2016 OS. Media 027/16
*Aged 16 and over, as % of economically active †To September

constitutional nationalist. "It has been a string of pretty comprehensive failures in terms of constitution-building," says Richard Wyn Jones of Cardiff University.

But is also reflects the fact that many of the policy areas under Welsh control have fared rather badly. Health care is one. A report from the Nuffield Trust, a research group, found that in 2012-13 patients in Wales waited about 170 days for a hip or knee replacement, compared with 70 days in England and Scotland. One reason is that spending on health was not protected, as it had been in England. Indeed, it fell in real (inflation-adjusted) terms by 4.3% between 2009-10 and 2012-13. Wales has also done less than England to increase competition between health providers. People in Ebbw Vale complain of a "postcode lottery"; some cross the border to England in order to get a better service.

Education is similarly mediocre. Welsh schools' poor results are partly explained by the country's relative poverty, but not entirely: looking only at those children who qualify for free school meals (a measure of poverty), 26% of those in Wales get five good GCSE qualifications at age 16, compared with 38% in England. Some believe that Wales's opting out of the "academies" programme, under which most English schools have been made independent of local authorities, has held them back. And although many hoped that subsidising university for all would encourage more youngsters to apply, that does not seem to have happened: Welsh entry rates this year were 32%, compared with 37% in England, where rich students pay steep fees in order to subsidise the poor ones.

Part of the problem is a lack of political competition. Apart from a brief surge of support for the nationalist Plaid Cymru in 1997 and some Conservative backing in better-off areas, Wales overwhelmingly votes Labour. The party holds half the Assembly's 60 seats (and would hold more, were it not for the Assembly's proportional voting system). Polls suggest it may lose a few seats in elections in May, but there is no danger of it failing to come top.

The resulting governments have distanced themselves from English Labour and the Tories alike, without coming up with many innovations of their own. "They say you could put a donkey up here [for Labour] and it would get elected," says a retired schoolteacher in Ebbw Vale.

This presents a paradox for the "devolution revolution". Often the areas keenest to take on new powers are those with entrenched, well organised local politicians—and often this means they are dominated by one-party politics. Many of the English cities preparing to take on new powers, for instance, are as solidly Labour as Wales is. Some are itching to experiment and innovate. But, as Wales shows, devolution can also be used to keep things standing still. ■

Hotels v Airbnb

Build them and they will come

Why the room-booking app has had so little impact in the capital

IN ITS Edwardian heyday, a visit to the London Trocadero was the highlight of many a tourist trip to Britain. Opened in 1896 just off Piccadilly Circus, it was one of the largest and grandest restaurants in the world. After a long decline it closed in 1965 and was gutted, before its formerly palatial interior was filled with tacky video arcades and tourist shops selling cut-price knick-knacks. Yet soon the Trocadero will be on the London tourist-map once again: surrounded in construction hoardings, a 583-room hotel is under development behind the grand frontage.

It is a symbol of the hotel boom currently under way in the capital. The number of hotel rooms has risen from 129,000 in 2013 to 149,000 today, according to PWC, a consultancy. There is still no sign of overcapacity. Last year occupancy rates reached their highest in a decade and average prices were higher than ever.

The hotels' resilience is surprising, given the onslaught from sharing-economy websites and apps that allow people to rent out their spare rooms to travellers. According to researchers at Boston University, Airbnb, the biggest such service, has forced down hotel revenues in some American cities by as much as 10%.

By comparison, the impact of room-booking apps has been muted in London, says Marie Hickey of Savills, an estate agent. Only 0.5% of Londoners advertise their properties on Airbnb, compared with 2.4% of Parisians. One reason is that there is a shortage of reasonably priced residential stock near London's main tourist attractions, which are hemmed in by offices and mansions. And according to a recent report by Citi, a bank, the growth of Airbnb listings in London and other big European cities is already slowing, meaning that Londoners' spare rooms are unlikely to be able to soak up much more demand.

Hotels have also benefited from a change in the type of visitor coming to Britain. Whereas the strong pound has persuaded many tourists to divert to cheaper destinations (€1 now buys about 15% fewer Princess Diana postcards than it did five years ago), business travellers cannot avoid London so easily. So while tourist spending stagnated in 2015, businessfolk splashed out 7% more in Britain than the previous year, according to the Global Business Travel Association, an industry body, which forecasts further growth of 6% this year.

Unlike budget-conscious holidaymakers, who are willing to book a room in a stranger's home on Airbnb to save a few pounds, most businesspeople are travelling on expense accounts and happy to splash out. Meanwhile their employers, citing a duty to ensure safety, remain wary of booking spare rooms, which they fear conceal slippery stairs, dodgy electrics and other hazards. This suits hoteliers nicely.

But not all of them. Business travellers may not yet be switching to Airbnb, but they are trimming their costs. More than half the new rooms built in London this year will be operated by two- or three-star budget brands. Even the once-glitzy Trocadero cannot escape that trend. Having made its name a century ago selling nine-course meals to the aspiring upper classes, in 2017 it will re-open—but as an Ibis budget pod hotel. ■

There isn't an app for that

Bagehot | A tale of two cities

Britain's great European divide is really about education and class

BEING a Eurosceptic in a university city is a lonely business. In the drizzle outside the Cambridge Union a student in a roll-neck is trying to hand anti-EU leaflets to the cliques hurrying past. Most ignore him. One, having taken a folded piece of card, glances at it and sighs "nah", shoving it back into the campaigner's hand. Inside, in the neo-Gothic chamber, pro-EU luminaries ply their arguments to cheers. When Richard Tice, an anti-EU campaigner, delivers his speech students bob up and down, machine-gunning him rebarbative questions. Did regulation not exist before Britain joined the union? Why do so many firms support membership? If Britain doesn't control its borders why do foreign students struggle to get visas? When Mr Tice quotes "the highly respected economist, Tim Congdon" (a notorious Eurosceptic) the chamber resounds to laughter and sarcastic applause.

This attitude is not limited to Cambridge's student population. A recent debate among residents produced an even more overwhelming pro-EU vote: about 300 to six, reports Julian Huppert, a former local MP. The city's exceptionalism is borne out by a ranking, produced by Chris Hanretty and other political scientists using polling and demographic data, of parliamentary seats in England, Scotland and Wales by their level of Euroscepticism. Cambridge came 619th of 632 with an estimated Out vote of merely 27%. Compare that with Peterborough, a similarly sized city at the other end of Cambridgeshire. At a public debate there locals voted decisively in favour of Brexit. "I asked rhetorically what the audience would put at risk to leave the EU," recalls Mr Huppert. "They shouted back: 'Everything'." Sure enough, it came 49th on the ranking, with a projected 62% voting Out.

Which is curious and especially relevant today (as *The Economist* went to press David Cameron was in Brussels, hoping to finalise his EU renegotiation ahead of an in-out referendum). Cambridge and Peterborough are in the same part of the country. Both are about an hour by train from cosmopolitan London, are growing fast, have younger-than-average populations and mostly white-collar workforces. Both benefit from EU funds. And according to the census in 2011 they have a near-identical share of residents born in other EU countries—around one in ten. Yet one is a bastion of Europhilia, the other of Euroscepticism.

The walk outwards from both cities' centres adumbrates the difference. In Cambridge the route cuts through Victorian terraces housing academics, floor-to-ceiling bookshelves glimpsed through bay windows. It skirts the city's airport, where a near-daily flight from Gothenburg ferries in AstraZeneca executives. And it ends in a belt of commercial labs and high-tech business parks. In Peterborough, the stroll takes in new middle-class suburbs serving the city's booming retail and logistics industries, streets where betting shops, pubs and hair salons mingle with Polish delis and supermarkets and finally vegetable fields (often worked by eastern European migrants) stretching out into the flat, big-skied fenland. Thus just as Cambridge bears the hallmarks of an economy in which one in two has gone to university, Peterborough is visibly a city of school-leavers.

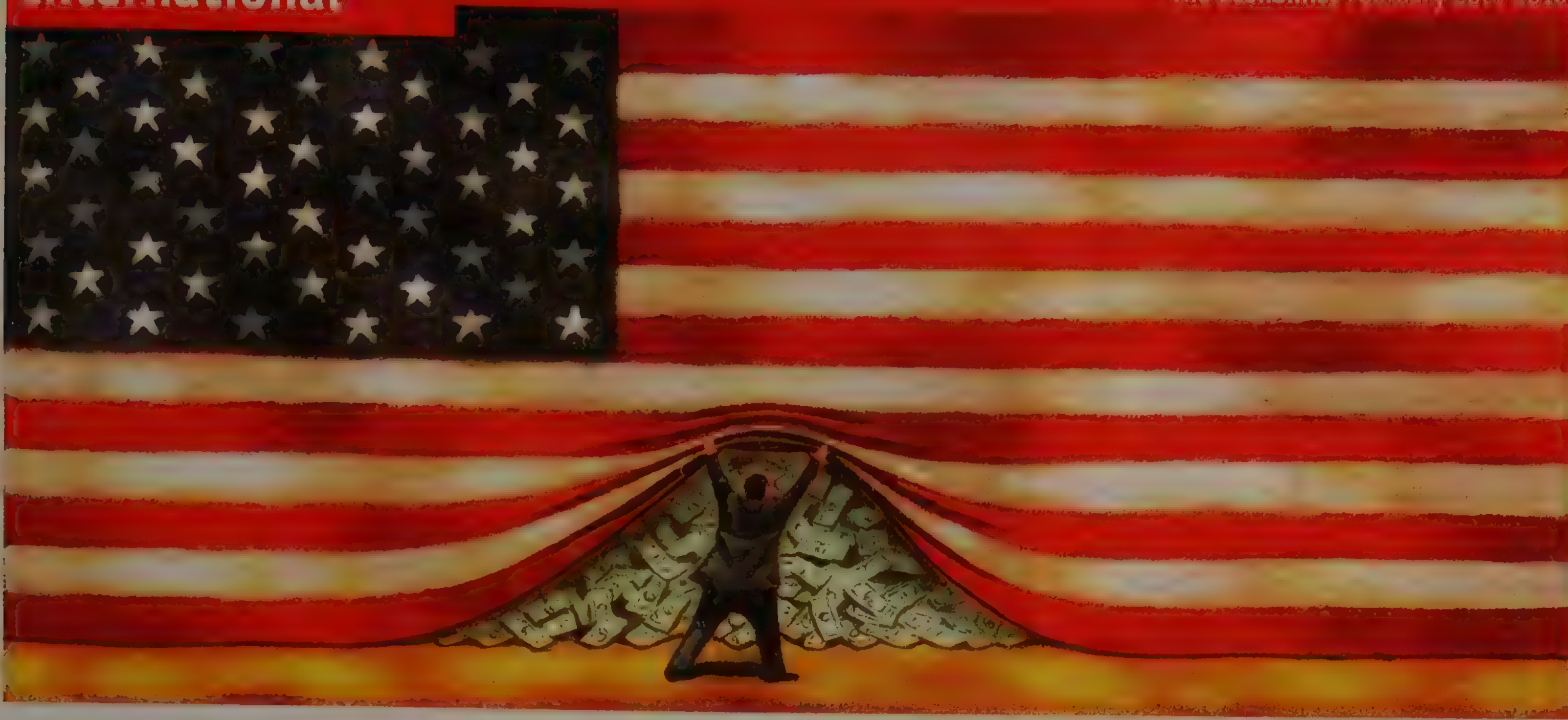
When it comes to the EU, this difference is everything. Education levels are "an extremely strong predictor" of an individual's views on the subject, stresses Robert Ford, an expert on public opinion: the more qualifications someone has, the more pro-European he or she is likely to be. According to polls by YouGov, those educated only to 16 oppose EU membership by 57% to 43%, but among graduates it is 38% to 62%. When education is controlled for, other factors affecting an individual's views on Europe—like income, choice of newspaper and even age—diminish.

What is it about those five years of study between 16 and 21? The answer has two parts. First, the self-interested one. "Having a degree is increasingly a prerequisite of getting on in life," observes Mr Ford, adding: "Both sides are aware that there is a drawbridge called university and that those who don't get across it are disadvantaged." In other words, the mighty churn of global economic integration, of which the EU is both cause and symptom, disproportionately benefits the well educated and can leave those in unskilled jobs feeling left behind.

The second, cultural driver mostly concerns immigration. Whereas many in Cambridge see incomers as highly educated Germans and Swedes bringing their expertise to research projects, startups and product-development meetings, in Peterborough they are Lithuanian potato-pickers who, if not competing with locals for unskilled work, are at least nipping at their heels. Anyone who expresses "intense concern" about immigration is 15 times more likely to back Brexit, notes Matthew Goodwin, a political scientist. This spills into questions of identity. People without higher education are more likely to call themselves English than British; the former label—much stronger in Peterborough than Cambridge—functions as a badge of perceived exclusion.

Two-nation Britain

In the long term, this bodes well for pro-Europeans. University attendance has exploded, which suggests that Britain will become more internationalist and comfortable with EU co-operation. Yet in the meantime it seems the country will be increasingly polarised: liberal, Cambridge-like places on the one side; nationalist, Peterborough-like ones on the other and an ever-shrinking middle ground between the two, as the population bifurcates into those whose skills make them globally competitive and those who must compete with robots and the mass workforces of the emerging economies. Democracy—especially in a system as centralised and majoritarian as that of Britain—assumes some common premises and experiences, a foundation that thanks to the great educational-cultural divide is now at risk. Eventually Britain will look more like Cambridge than it does today. But until then decades of division and mutual alienation await. ■



Financial transparency

The biggest loophole of all

Also in this section

Having launched and led the battle against offshore tax evasion, America is now part of the problem

DEVIN NUNES raised eyebrows in 2013 when, as chairman of a congressional working group on tax, he urged reforms that would make America "the largest tax haven in human history". Though he was thinking of America's competitiveness rather than turning his country into a haven for dirty money, the words were surprising: America is better known for walloping tax-dodgers than welcoming them. Its assault on Swiss banks that aided tax evasion, launched in 2007, sparked a global revolution in financial transparency. Next year dozens of governments will start to exchange information on their banks' clients automatically, rather than only when asked to. The tax-shy are being chased to the world's farthest corners.

And yet something odd is happening: Mr Nunes's wish may be coming true. America seems not to feel bound by the global rules being crafted as a result of its own war on tax-dodging. It is also failing to tackle the anonymous shell companies often used to hide money. The Tax Justice Network, a lobby group, calls the United States one of the world's top three "secrecy jurisdictions", behind Switzerland and Hong Kong. All this adds up to "another example of how the US has elevated exceptionalism to a constitutional principle," says Richard Hay of Stikeman Elliott, a law firm. "Europe has been outfoxed."

The Foreign Account Tax Compliance Act (FATCA), passed in 2010, is the main shackle that America puts on other countries. It requires financial institutions abroad to report details of their American clients' accounts or face punishing withholding taxes on American-sourced payments. America's central role in global finance means most comply.

FATCA has spawned the Common Reporting Standard (CRS), a transparency initiative overseen by the OECD club of 34 countries that is emerging as a standard for the exchange of data for tax purposes. So far 96 countries, including Switzerland, once favoured by rich taxophobes, have signed up and will soon start swapping information. The OECD is also leading efforts to force multinationals to reveal more about where and how profits are made, and the deals they cut with individual governments, in order to curb aggressive tax-planning.

Because it has signed a host of bilateral data-sharing deals, America sees no need to join the CRS. But its reciprocation is patchy. It passes on names and interest earned, but not account balances; it does not look through the corporate structures that own many bank accounts to reveal the true "beneficial" owner; and data are only shared with countries that meet a host of privacy and technical standards. That excludes many non-European countries.

All this leads some to brand America a hypocrite. But a fairer diagnosis would be that it has a split personality. The Treasury wants more data-swapping and corporate transparency, and has made several proposals to bring America up to the level of the CRS. But most need congressional approval, and politicians are in no rush to enact them. Some suspect that their reluctance, ostensibly due to concerns about red tape, has more to do with giving America's financial centres an edge.

Meanwhile business lobbyists and states with lots of registered firms, led by Delaware, have long stymied proposed federal legislation that would require more openness in corporate ownership. (Incorporation is a state matter, not a federal one.) America will often investigate a shell company if asked to by a foreign government that suspects wrongdoing. But incorporation agents do not have to collect ownership information. This is in contrast to Britain, which will soon have a public register of companies' beneficial owners.

America the booty-full

No one knows how much undeclared money is stashed offshore. Estimates range from a couple of trillion dollars to $30 trillion. What is clear is that America's share is growing. Already the largest location for managing foreign wealth, it has picked up business as regulators have increased information-exchange and scrutiny of banks and trust companies in Europe and the Caribbean. Money is said to be flowing in from the Bahamas and Bermuda, as well as from Switzerland.

A recent investigation by Bloomberg, a news provider, found several wealth man- ▸▸

agers whose American arms have benefited, including Rothschild, a British firm, and Trident Trust, a provider of offshore services. New business has been booked through subsidiaries in states with strong secrecy laws and weak oversight, such as South Dakota and Nevada. Another investigation, by *Die Zeit*, a German newspaper, concluded that for the tax cheat looking to pull money out of Switzerland, America was now the safest bet. "It's going nuts. Everyone is doing it or looking into it," says a tax consultant, speaking of the American loophole. Some transfers are being requested for legitimate reasons of confidentiality—for instance, by Venezuelans who fear extortion or kidnap if their wealth is known. But much is of dubious legality.

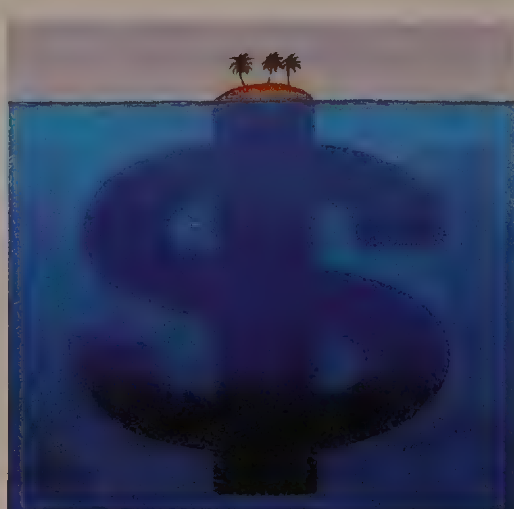
America is much safer for legally earned wealth that is evading taxes than for lucre that was filthy from the start. It has shown little appetite for helping enforce foreign tax laws and, unlike some other countries, does not count the banking of undeclared money as money-laundering. "Foreigners looking to evade tax in America are usually safe because of its secrecy," says Jason Sharman of Griffith University in Australia. "But for those with dirtier money there is a small though real risk the US will investigate and apply the full force of the law, which is a scary prospect."

Dividing the spoils

Foreign banks losing business to America can sometimes share in the profits, explains one tax consultant. A Swiss bank, say—generally a smaller one, as big ones are too scared—tells its client to close an account and open one with an American custodian bank. The client then appoints the Swiss bank as investment manager on the custodian account, and that bank instructs the custodian which funds to buy, often the Swiss bank's own products. The Swiss bank earns fees for advice and fund-management; the custodian picks up business; and the account is deemed for regulatory purposes to be American, meaning it avoids the disclosure rules that apply only to countries signed up to the CRS.

Only a few other financial centres have declined to commit themselves to the CRS, among them Bahrain and Nauru. Hong Kong has signed but will implement it one tax-treaty partner at a time rather than using a multilateral shortcut; some regard this as a delaying tactic. Undeclared Asian and Middle Eastern money is moving to Taiwan and Lebanon, respectively, both of which are outside the club. Panama, which vies with Miami for Latin American money, looks set to back out of its tentative commitment to the CRS, using America's double standards as an excuse (see box).

Frustration with America has grown in Europe, which forms the core of the CRS. A group in the European Parliament argues that, if America refuses to reciprocate fully, it should be hit with a reverse FATCA: a levy on payments originating in the EU that flow through American banks. "We don't want a tax war, but nor can the US have it all its own way," says Molly Scott Cato, one of the MEPs. One obstacle is that tax measures must be approved unanimously by the EU's 28 member states.



Others point out that the CRS itself has flaws. It was drafted in a rush, and one expert thinks it would fail to catch 80% of tax-dodging. Financial firms have been calling to report loopholes that could benefit less scrupulous rivals, most of which will be closed before it comes into force or soon after, promises the OECD. (Keeping banks' compliance costs within reasonable limits means that some will inevitably remain.)

America deserves great credit for taking on Switzerland and other long-standing tax havens. And a Treasury official insists that stashing undeclared loot there will not remain possible for long: "This is something that will be fixed." Until it is, America will be the biggest tax loophole of all. ■

Tax evasion in Panama

The problem child

A tax haven professes to stand on principle, risking pariah status

PANAMA'S most notorious moment as a haven for tainted cash came with the nationalisation of money-laundering in the 1980s under Manuel Noriega, a military strongman. It has since clamped down on egregious financial criminality, but remains home to thousands of secretive firms and famous for the discretion of its bankers and lawyers. The Central American microstate is the financial and incorporation centre of choice for many Latin Americans and Europeans—and, critics say, many financial ne'er-do-wells.

It is also holding out against global tax-transparency plans known as the Common Reporting Standard (CRS) being championed by the OECD club of rich nations. It says it will develop its own standard, which will probably mean less information, exchanged with fewer countries. Small financial centres, it huffs, are being bullied into accepting competitiveness-sapping rules shunned by some bigger countries, in particular America. "We'll move at the same speed as the slowest," says one of its leading lawyers. "Otherwise our financial centre faces a death sentence."

Some suspect a delaying tactic rather than a principled stand. The many conditions Panama has set for joining in the automatic exchange of tax information were crafted to ensure it never will, they say. But it has, to its credit, made some important reforms. A new law requires bankers, lawyers and professionals in 30 other industries to know the names of client firms' real owners and to pass them to law enforcement on request. It hopes this will help get it removed from a list of countries with poor safeguards against money-laundering, compiled by more scrupulous governments.

That will depend partly on how strictly the law is enforced. And there are other concerns, such as Panama's fondness for anonymous bearer-share companies, widely regarded by other countries as a favourite vehicle of criminals. They must now be registered with a custodian. But the listed owner can be another firm.

And Panama's biggest law firms are giant offshore-company incorporation factories. Many wield power of attorney to conceal ownership. Some market their services to financial firms serving Latin American clients, "guaranteeing" that the country will not sign agreements to exchange information with their home countries, such as Argentina and Mexico.

According to a Brazilian prosecutor, there is evidence that Mossack Fonseca, one of Panama's largest law firms, laundered money for some of those implicated in a vast bribery scandal centred on Petrobras, Brazil's state-controlled oil giant. The law firm, one of whose senior partners, Ramon Fonseca Mora, is a "minister counsellor" in Panama's government, says it always does the required due diligence on clients. It says it has been a victim of a smear campaign by political opponents and is "certain that our name will be cleared very soon".

Correction: In the map accompanying last week's article, "Rejuvenating reefs", some areas were incorrectly marked as protected. This has been corrected online.

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Mobile telecoms

Wireless: the next generation

NEW YORK

A new wave of mobile technology is on its way, and will bring drastic change

THE future is already arriving, it is just a question of knowing where to look. On Changshou Road in Shanghai, eagle eyes may spot an odd rectangular object on top of an office block: it is a collection of 128 miniature antennae. Pedestrians in Manhattan can catch a glimpse of apparatus that looks like a video camera on a stand, but jerks around and has a strange, horn-like protrusion where the lens should be. It blasts a narrow beam of radio waves at buildings so they can bounce their way to the receiver. The campus of the University of Surrey in Guildford, England, is dotted with 44 antennae, which form virtual wireless cells that follow a device around.

These antennae are vanguards of a new generation of wireless technologies. Although the previous batch, collectively called "fourth generation", or 4G, is still being rolled out in many countries, the telecoms industry has already started working on the next, 5G. On February 12th AT&T, America's second-largest mobile operator, said it would begin testing whether prototype 5G circuitry works indoors, following similar news in September from Verizon, the number one. South Korea wants to have a 5G network up and running when it hosts the Winter Olympics in 2018; Japan wants the same for the summer games in 2020. When the industry holds its annual jamboree, Mobile World Congress, in Barcelona this month, 5G will top the agenda.

Mobile telecoms have come a long way since Martin Cooper of Motorola (pictured), inventor of the DynaTAC, the first commercially available handset, demonstrated it in 1973. In the early 2000s, when 3G technology made web-browsing feasible on mobiles, operators splashed out more than $100 billion on radio-spectrum licences, only to find that the technology most had agreed to use was harder to implement than expected.

The advent of 5G is likely to bring another splurge of investment, just as orders for 4G equipment are peaking. The goal is to be able to offer users no less than the "perception of infinite capacity", says Rahim Tafazolli, director of the 5G Innovation Centre at the University of Surrey. Rare will be the device that is not wirelessly connected, from self-driving cars and drones to the sensors, industrial machines and household appliances that together constitute the "internet of things" (IoT).

It is easy to dismiss all this as "a lot of hype", in the words of Kester Mann of CCS Insight, a research firm. When it comes to 5G, much is still up in the air: not only which band of radio spectrum and which wireless technologies will be used, but what standards makers of network gear and handsets will have to comply with. Telecoms firms have reached consensus only on a set of rough "requirements". The most important are connection speeds of up to 10 gigabits per second and response times ("latency") of below 1 millisecond (see chart, next page).

Yet the momentum is real. South Korea and Japan are front-runners in wired broadband, and Olympic games are an opportunity to show the world that they intend also to stay ahead in wireless, even if that may mean having to upgrade their 5G networks to comply with a global standard once it is agreed. AT&T and Verizon both invested early in 4G, and would like to lead again with 5G. The market for network equipment has peaked, as recent results from Ericsson and Nokia show, so the makers also need a new generation of products and new groups of customers.

On the demand side, too, pressure is mounting for better wireless infrastructure. The rapid growth in data traffic will continue for the foreseeable future, says Sundeep Rangan of NYU Wireless, a department of New York University. According to one estimate, networks need to be ready for a 1,000-fold increase in data volumes in the first half of the 2020s. And the radio spectrum used by 4G, which mostly sits below 3 gigahertz, is running out, and thus getting more expensive. An auction in America last year raked in $45 billion.

But the path to a 5G wireless paradise will not be smooth. It is not only the usual telecoms suspects who will want a say in this mother of all networks. Media companies will want priority to be given to generous bandwidth, so they can stream films with ever higher resolution. Most IoT firms will not need much bandwidth, but will want their sensors to run on one set of batteries for years—so they will want the 5G standard to put a premium on low power consumption. Online-gaming firms will worry about latency: players will complain if it is too high.

The most important set of new actors, however, are information-technology firms. The likes of Apple, IBM and Sam- ▸▸

sung have a big interest not only in selling more smartphones and other mobile devices, but also in IOT, which is tipped to generate the next big wave of revenues for them and other companies. Google, which already operates high-speed fibre-optic networks in several American cities and may be tempted to build a wireless one, has shown an interest in 5G. In 2014 it bought Alpental Technologies, a startup which was developing a cheap, high-speed communications service using extremely high radio frequencies, known as "millimetre wave" (mmWave), the spectrum bands above 3 gigahertz where most of 5G is expected to live.

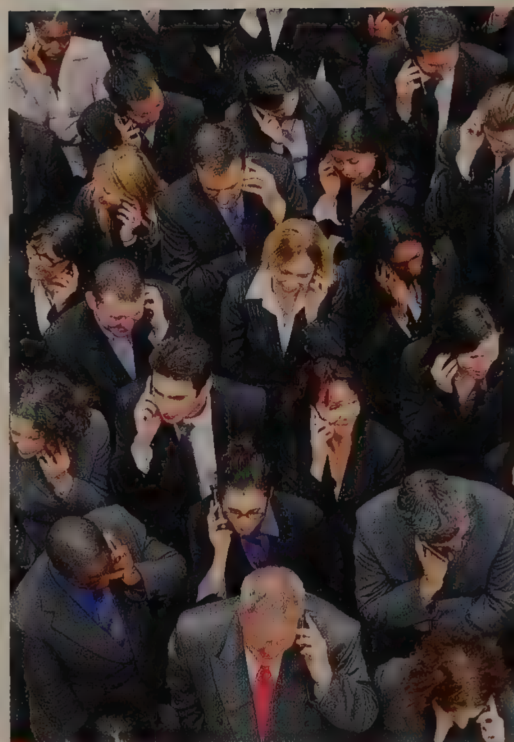
To satisfy all these actors will not be easy, predicts Ulf Ewaldsson, Ericsson's chief technology officer. Questions over spectrum may be the easiest to solve, in part because the World Radiocommunication Conference, established by international treaty, will settle them. Its last gathering, in November, failed to agree on the frequencies for 5G, but it is expected to do so when it next meets in 2019. It is likely to carve out space in the mmWave bands. Tests such as the one in Manhattan mentioned above, which are conducted by researchers from NYU Wireless, have shown that such bands can be used for 5G: although they are blocked even by thin obstacles, they can be made to bounce around them.

For the first time there will not be competing sets of technical rules, as was the case with 4G, when LTE, now the standard, was initially threatened by WiMax, which was bankrolled by Intel, a chipmaker. Nobody seems willing to play Intel's role this time around. That said, 5G will be facing a strong competitor, especially indoors: smartphone users are increasingly using Wi-Fi connections for calls and texts as well as data. That means they have ever less need for a mobile connection, no matter how blazingly fast it may be.

Evolution or revolution?

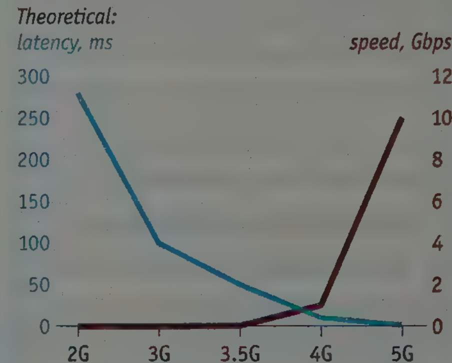
Technology divides the industry in another way, says Stéphane Téral of IHS, a market-research firm. One camp, he says, wants 5G "to take an evolutionary path, use everything they have and make it better." It includes many existing makers of wireless-network gear and some operators, which want to protect their existing investments and take one step at a time. On February 11th, for instance, Qualcomm, a chip-design firm, introduced the world's first 4G chip set that allows for data-transmission speeds of up to 1 gigabit per second. It does the trick by using a technique called "carrier aggregation", which means it can combine up to ten wireless data streams of 100 megabits per second.

The other camp, explains Mr Téral, favours a revolutionary approach: to jump straight to cutting-edge technology. This



Everybody's talking

Mobile-phone generations



Source: IHS

could mean, for instance, leaving behind the conventional cellular structure of mobile networks, in which a single antenna communicates with all the devices within its cell. Instead, one set of small antennae would send out concentrated radio beams to scan for devices, then a second set would take over as each device comes within reach. It could also mean analysing usage data to predict what kind of connectivity a wireless subscriber will need next and adapt the network accordingly—a technique that the 5G Innovation Centre at the University of Surrey wants to develop.

One of the most outspoken representatives of the revolutionary camp is China Mobile. For Chih-Lin I, its chief scientist, wireless networks, as currently designed, are no longer sustainable. Antennae are using ever more energy to push each extra megabit through the air. Her firm's position, she says, is based on necessity: as the world's biggest carrier, with 1.1m 4G base stations and 825m subscribers (more than all the European operators put together), problems with the current network architecture are exacerbated by the firm's scale. Sceptics suspect there may be an "industrial agenda" at work, that favours Chinese equipment-makers and lowers the patent royalties these have to pay. The more different 5G is from 4G, the higher the chances that China can make its own intellectual property part of the standard.

Whatever the motivation, Ms I's vision of how 5G networks will ultimately be designed is widely shared. They will not only be "super fast", she says, but "green and soft", meaning much less energy-hungry and entirely controlled by software. As with computer systems before them, much of a network's specialised hardware, such as the processor units that sit alongside each cell tower, will become "virtualised"—that is, it will be replaced with software, making it far easier to reconfigure. Wireless networks will become a bit like computing in the online "cloud", and in some senses will merge with it, using the same off-the-shelf hardware.

Discussions have already begun about how 5G would change the industry's structure. One question is whether wireless access will become even more of a commodity, says Chetan Sharma, a telecoms consultant. According to his estimates, operators' share of total industry revenues has already fallen below 50% in America, with the rest going to mobile services such as Facebook's smartphone apps, which make money through ads.

The switch to 5G could help the operators reverse that decline by allowing them to do such things as market their own video content. But it is easier to imagine their decline accelerating, turning them into low-margin "dumb pipes". If so, a further consolidation of an already highly concentrated industry may be inevitable: some countries may be left with just one provider of wireless infrastructure, just as they often have only one provider of water.

If the recent history of IT after the rise of cloud computing is any guide—with the likes of Dell, HP and IBM struggling to keep up—network-equipment makers will also get squeezed. Ericsson and Nokia already make nearly half of their sales by managing networks on behalf of operators. But 5G may finally bring about what has been long talked of, says Bengt Nordstrom of Northstream, another consulting firm: the convergence of the makers of computers and telecoms equipment, as standardisation and low margins force them together. Last year Ericsson formed partnerships first with HP and then with Cisco. Full mergers could follow at some point.

Big, ugly mobile-phone masts will also become harder to spot. Antennae will be more numerous, for sure, but will shrink. Besides the rectangular array that China Mobile is testing in Shanghai, it is also experimenting with smaller, subtler "tiles" that can be combined and, say, embedded into the lettering on the side of a building. In this sense, but few others, the future of mobile telecoms will be invisible. ■

Mining

Core ores

The metals crunch is forcing miners to reconsider the merits of diversification

AT THE pinnacle of the mining industry sit two Anglo-Australian companies, BHP Billiton and Rio Tinto, which are to iron ore what Saudi Arabia is to oil: the ones who call the shots. Their mines in Pilbara, Western Australia, are vast cash cows; with all-in costs below $30 a tonne, they still generate substantial profits even though prices have slumped from $192 a tonne in 2011 to about $44. They have increased iron-ore production despite slowing demand from China, driving higher-cost producers to the wall—an echo of the Saudis' strategy in the oil market.

But whereas Rio Tinto has doubled down on iron ore, BHP also invested in oil and gas—in which it has nothing like the same heft—at the height of the shale boom. Their differing strategies are a good test of the merits of diversification.

The China-led commodities supercycle encouraged mission creep. Many companies looked for more ways to play the China boom, and rising prices of all raw materials gave them an excuse to cling on to even those projects that were high-cost and low-quality. Now the industry is plagued with debts and oversupply.

On February 16th Anglo American, a South African firm that was once the dominant force in mining, said it would sell $3 billion of assets to help pay down debt, eventually exiting the coal and iron-ore businesses that it had spent a fortune developing. That would leave it with a core business of just copper, diamonds and platinum. The day before, Freeport-McMoRan, the world's largest listed copper producer, was forced to sell a $1 billion stake in an Arizonan copper mine to Sumitomo of Japan, to help cut debts racked up when it expanded into oil and gas. With Carl Icahn, an American activist investor, agitating for a shake-up, analysts say its energy assets could follow—if there are any buyers.

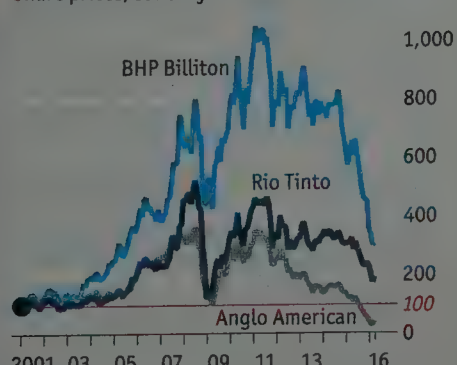
When BHP reports half-yearly results on February 23rd its misadventure in American oil and gas will be of particular concern because it has put the world's biggest mining firm in the shadow of Rio for the first time. Since BHP merged with Billiton in 2001, its share price has outperformed Rio's (see chart); it made an unsuccessful bid to merge with its rival in 2007. Yet in the past year its shares have done worse. Analysts expect that next week it will cut its annual dividend for the first time since 2001, thereby breaking a promise to raise the dividend year by year. Though Rio ended a similar "progressive dividend" policy this month, it did not cut the 2015 payout.

BHP's dividend yield began to soar relative to Rio's in late 2014 so a payout cut should not be a surprise. But shareholders, especially those in income funds that depend on mining-industry returns, will be kicking themselves. They could have diversified their own portfolios, putting more money into oil majors like Exxon Mobil, whose payout is considered more secure, rather than have BHP expose itself to oil and gas on their behalf.

Paul Gait of Sanford C. Bernstein, a research firm, says that because of BHP's weak position in oil, it is suffering from the ▸▸

Deep trouble

Share prices, January 1st 2001=100



Source: Thomson Reuters

Apple's encryption battle

Tim Cook, privacy martyr?

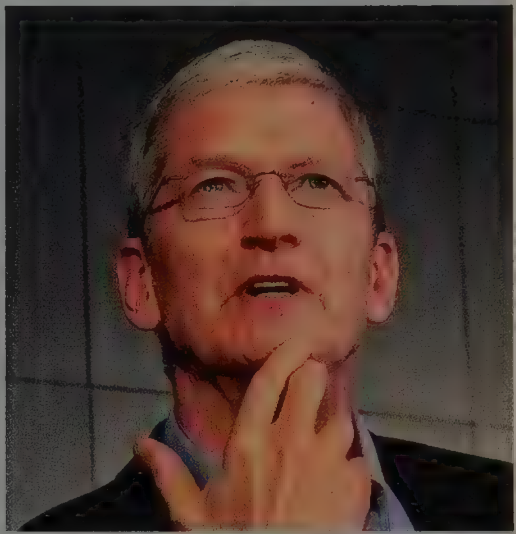
SAN FRANCISCO

The firm's boss may have to choose between his principles and his liberty

MARTIN LUTHER pinned his treatise to a church door. Tim Cook posted his on Apple's website. On February 16th Mr Cook published a harsh critique of the American government, which has clashed with his firm repeatedly over providing information on suspected criminals—most recently in the case of Syed Rizwan Farook, who, with his wife, murdered 14 people at a holiday party in San Bernardino last year. This week a federal court sided with the FBI, which had requested Apple's help in accessing the contents of Mr Farook's iPhone, and ordered the tech firm to comply. Mr Cook says the "chilling" situation represents "overreach by the US government" that calls for a "public discussion".

A debate started immediately, with Donald Trump, the Republican presidential front-runner, asking why Apple should consider itself above the law. It is a sentiment others may share, but Apple has legitimate reasons for not wanting to comply with the court's order. The court is trying to force Apple to create a way to deactivate the password-protection feature (which erases the device's contents after ten failed attempts at guessing the password) on this one iPhone. However, Mr Cook warns that designing this tool, even for one particular case, could put other users at risk, because the federal government would always have the key and could use it in future instances. Other governments will watch the outcome of the case, and might compel Apple to build them a similar tool.

This is not the first time that Mr Cook and American law enforcers have clashed, but the case may become "the epicentre of the debate over privacy and encryption," says Alan Cohn, a lawyer at Steptoe & Johnson who previously worked at the Department of Homeland Security. Past requests for data have focused on lower-level criminals; Mr Farook is being investigated for terrorism, which heightens the urgency of the government's request.



Protector of passwords

Mr Cook has cast himself as a reformer on the side of justice. Might he be held in contempt of court and go to jail? It seems unlikely in the near term, especially since Apple will probably appeal against the ruling. But putting Mr Cook or another Apple executive behind bars for a few days would be no bad thing for the firm's image. It has gone to great lengths to persuade its users that it respects their privacy and is doing what it can to protect them. So have other tech firms, such as Microsoft, which are fighting lawsuits demanding that they turn over customer data. In its stand-off with the government Apple and other tech firms have a lot to prove, as well as much to lose.

same cost pressures that it is inflicting on its competitors in iron ore. He calls it "nemesis to their hubris. They are in oil what they are attempting to destroy in iron ore."

BHP argues that its strategy enhanced shareholder returns during the good times, and that no one expected oil and metals prices to collapse with such synchronicity. It says its business mix is no stranger than that of an oil company like Exxon Mobil, which is into the refining and marketing of oil products as well as the exploration and production of crude. Its underperformance against Rio has also been the result of a mining accident in Brazil in November. Rating agencies worry that a big fine could put further strain on its balance-sheet. "We just have to be patient. Cycles are an inherent part of the business," an executive says.

BHP's long-held belief is that by strengthening its oil and copper businesses it enjoys a longer cycle than if it were more exposed to iron ore and coal. In China, for example, demand for steel, and thus for iron ore and coking coal, has been central to the country's building boom. But as it grows richer, it will need more copper for electric cables, and petrol for its growing fleet of cars.

Such arguments were more compelling when Chinese growth seemed unstoppable. But Konrad von Szczepanski of the Boston Consulting Group says the downward leg of the supercycle has eroded the case for diversification, pushing firms to reconsider strategies last used in the 1990s: focusing on single commodities in which they have the cheapest, best-quality ores.

Whatever they do, mining companies will now be required to demonstrate that the assets they have are high quality and capable of generating cash even in hard times. The trouble is that as they attempt to focus, as Anglo American is doing, there is no guarantee they will be able to sell their non-core assets for a high price. Acquirers, as one analyst puts it, only want the family silver, not the dross. ■

Breakfast cereals

Soggy sales

NEW YORK

Consumers are going off some cereals, but not the right ones

IN RECENT years breakfast cereals seem to have lost their snap, crackle and pop. Many contain things that anxious consumers shun, from carbohydrates and gluten to artificial flavours and genetically modified (GM) grain. Add to this a rising disdain for big brands and adoration of small, "authentic" ones, and large cereal-makers have been suffering soggy sales. The market for "ready-to-eat" cereals shrank by 9% in America between 2012 and 2015, according to Euromonitor, a data firm. In Britain, the second-biggest cereal market, sales fell by 6%.

Now, the manufacturers are trumpeting a turnaround. On February 16th General Mills told investors that its American cereal sales were stabilising. Kellogg is equally chipper, reporting on February 17th that it expects its American cereal sales to grow this year. But it will take hard work to revive breakfast's flakiest business.

Cereal firms have tried many ways to cope with waning appetites. They have diversified. Post Holdings, which sells Honey Bunches of Oats and Grape-Nuts, now also sells eggs and protein shakes. Some firms have acquired trendier brands, with mixed results. After Kellogg bought Kashi in 2000, many of its oat-munching customers fled. Kellogg is now trying to win them back, returning Kashi's headquarters to California. A new Kashi cereal features popped sorghum, crispy yellow peas and smashed red beans. Pet hamsters will love it.

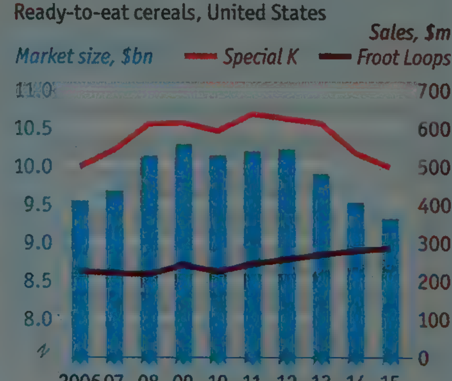
Makers are also spending to revive their main brands. Kellogg has put more fruit in its Special K Red Berries cereal. General Mills has stripped GM ingredients and gluten from Cheerios. It plans to remove all artificial flavours and colours from its cereals by 2018. Some analysts question whether the changes are worth the extra costs. But Robert Moskow of Credit Suisse, a bank, reckons that cereal-makers can compensate by cutting overheads and streamlining supply chains.

Retailers do not want cereal to enter terminal decline—it is too profitable for them. Jim Holbrook, who led Post's cereal business and is now boss of Daymon Worldwide, a retail consultant, says grocers might boost sales by placing milk or bananas in the cereal aisle.

For now, cereal-makers can take comfort that at least some brands are still thriving. Sales of Kellogg's Froot Loops and General Mills' Cinnamon Toast Crunch have risen in recent years, points out Alexia Howard of Sanford C. Bernstein, a research firm, even as more virtuous brands such as Fiber One, All-Bran and (until recently) Special K were waning. Health-conscious shoppers may or may not be lured back to their cereal habit by smashed red beans. But cereal's most reliable customers are those who don't mind heaps of sugar, or "red #40" food colouring, in their breakfast bowls.

They're not so grrrr-eat!

Ready-to-eat cereals, United States



Source: Euromonitor

Bombardier

Plane truths

A wounded Canadian planemaker may get another bail-out

IN SPITE of booming demand for jetliners across the world, North American planemakers have had a miserable few months. So far this year Boeing, America's biggest aerospace group, has suffered the two biggest daily falls in its share price yet seen, caused by downgrades to its production forecasts and news that regulators were investigating its accounting methods.

But its woes look as nothing compared with those of Bombardier, a Canadian maker of planes and trains. On February 17th it announced net losses of $5.3 billion in 2015, mainly due to write-downs, and a $10 billion shrinking of its order book since 2014. Many are asking if the company will run out of cash.

The trainmaking division is doing fine. But Bombardier's aerospace division, which made only $138m in profit in 2015 before $5.4 billion of write-downs, is giving its executives nightmares. Those parts that used to generate good profits are stalling. The market for business jets, particularly large ones, is suffering from slower growth in emerging economies, says Stephen Trent of Citigroup, a bank. Bombardier has also been losing ground against more specialised competitors such as Textron and Embraer in the market for small and medium-sized business jets.

The company's biggest problem, though, is the CSeries, its project to develop a 100- to 150-seater plane to break the duopoly of Airbus and Boeing in this area (see table, next page). Three years late and costing $5.4 billion to develop instead of the $3.5 billion originally forecast, the project has been soaking up cash. Although the plane's entry into service is planned for later this year, it still has not been awarded ▸▸

A CSeries of unfortunate events

Date	Event
Jul 2004	First version of CSeries announced
Jan 2006	Project dropped: insufficient orders
Jul 2008	Programme relaunched
Late 2012	Original target date for first flight
Sep 2013	First flight takes place
May 2014	Test aircraft suffers engine failure
Oct 2015	Airbus declines to buy majority stake in project; Quebec government invests $1bn
Early 2016	Second bail-out?
Mid 2016	Entry into service?

Source: Company and press reports

safety certification by authorities in America and Europe. Ruthless pricing by Airbus of its A320neo and Boeing of its 737 MAX, as well as fears over Bombardier's financial viability, have made the company's cashflow situation worse by discouraging new orders. Until Air Canada announced the purchase of up to 75 of the plane's larger CS300 variant, on February 17th, there had been no orders since 2014.

It will be a long haul before Bombardier recoups its costs on the project, says Bjorn Fehrm at Leeham Company, an aviation consultant. The first 15 planes produced this year will cost Bombardier $60m each to make, he says, but will sell for just $30m or so. The programme will not become cashflow positive until around 200 planes have been delivered. The CSeries' fuel efficiency may bring it more orders if the oil price goes back up. But so far, including Air Canada's order if it is confirmed in full, it has sold only 318.

To keep it going in the meantime, Bombardier needs cash. Last year it offered Airbus a majority stake in the CSeries project, but was rebuffed. Instead, the company's home province, Quebec, offered C$1.3 billion ($1 billion) for 49.5% of the CSeries venture and a further C$1.5 billion from its pension fund for a stake in the rail division.

This is unlikely to be enough. So the question is, where will the next cash injection come from? Airbus is unlikely to change its mind, and Boeing is busy sorting out its own problems. An investment from COMAC, a Chinese state-owned planemaker which is also trying to bust in on the Airbus-Boeing duopoly, and with which Bombardier signed a co-operation agreement in 2011, seems too politically toxic to be feasible. The Canadian electorate would not want to see a national champion fall into Chinese hands.

So a further bail-out from either the Canadian federal or Quebec provincial government, in return for a stake in the CSeries, is most likely. This week Bombardier announced 7,000 job losses; the fear of even bigger cuts may force politicians' hands. If so, taxpayers will not see a return on their investment for years, if ever. ■

Greek businesses

An actual Grexit

Big tax rises are driving companies out of the country

WHEN Panagiotis Korfoksyliotis set up a business in Athens in 2011, ferrying tourists around by car, he hoped to do his bit to help Greece emerge from its deep recession. He says he paid his staff a decent wage and declared all his earnings. Unfortunately, the taxman did not repay the kindness. Sharp increases in business taxes have prompted Mr Korfoksyliotis to pack his bags and move his company and his life to Bulgaria. Now he employs drivers to take foreign visitors around that country's tourist spots instead.

He is part of a growing trend. In recent years Greek governments desperate for cash have sought to squeeze it from companies, despite evidence that this is driving them away to places like Bulgaria, Cyprus and Albania. The combination of a deep recession and rising taxation has meant that by some estimates more than 200,000 businesses have closed or in some cases left Greece since then. Between 2009 and 2014 the taxable profits declared by the country's businesses fell by more than €5 billion ($5.6 billion) to €10 billion.

Precise figures are hard to find, but accountants, lawyers and businesspeople reckon that perhaps as many as 10,000 Greek-owned firms have moved abroad. In a recent survey of 300 firms, Endeavor Greece, a non-profit organisation that helps entrepreneurs, found that more than a third had either left or were thinking about going. Venetis, a bakery chain, recently said that, because of high taxes and capital controls, it will focus more on opening shops abroad than in Greece.

Even if they have kept their Greek operations going, some multinationals have moved their headquarters. Fage International, a dairy firm, said in 2012, when taxes started to rise, that it would move its base to Luxembourg. That year Coca-Cola Hellenic, which distributes the American giant's soft drinks in 28 mostly European countries, moved its base from Athens to Zug in Switzerland. In 2013 Viohalco, a metals-processor, moved its head office to Brussels. The latter two firms say that the main reason was to improve their access to capital. But Greece's sharp tax rises were hardly an inducement to stay.

Other euro-crisis countries, such as Portugal and Ireland, cut business taxes or kept them low, to encourage investment and growth. (Portugal's corporation-tax revenues are only slightly below where they were, as a share of GDP, before the global financial crisis.) But Greece has raised its corporation-tax rate from 20% in 2012 to 29% in 2015, even though international lenders such as the IMF will surely have advised against this. Greece's tax rise makes Bulgaria's rate of just 10% even more alluring; likewise Cyprus's 12.5% rate and Albania's 15%.

The country's neighbours are delighted that it is sending business their way. Panagiotis Pantelis, an accountant in Athens, says he has been busy in recent weeks meeting officials from neighbouring countries on behalf of clients looking to move out. Alexandros Ziniatis of Viva Trust, a firm that advises businesses seeking to relocate within Europe, reports similarly brisk interest from Greek companies.

The new leader of Greece's conservative opposition, Kyriakos Mitsotakis, has condemned the tax rises on business as counterproductive. But the left-wing ruling coalition is not listening. It is now proposing a 20% rise in a levy on companies' profits that goes toward pensions. Carry on in this vein, and there will not be many businesses, or much profit, left to tax. ■

Closing in Athens, opening in Sofia, Tirana and Nicosia

Schumpeter | The measure of a man

Reports of the death of performance reviews are exaggerated

IN RECENT months the business press has reverberated with cheers for the end of performance reviews. "Performance reviews are getting sacked," crows the BBC. They "will soon be over for all of us", rejoices the *Financial Times*. Such celebration is hardly surprising. Kevin Murphy, a performance-review guru at Colorado State University, sums up the general feeling about them: an "expensive and complex way of making people unhappy". The problem is, they are not in fact being scrapped.

A survey in 2013 by Mercer, a consulting firm, of 1,000 employers in more than 50 countries reported that 94% of them undertook formal reviews of workers' performance each year and 95% set individual goals for employees; 89% calculated an overall score for each worker and linked pay to these ratings. It is true that a number of big companies have announced that they are abandoning annual performance reviews; this month IBM did so, joining Accenture, Adobe, Deloitte, GE, Microsoft and Netflix. In reality, though, they are no more getting rid of performance reviews than a person who shifts from drinking whisky to wine is becoming teetotal. Employee reviews are being modified, not abolished, and not necessarily for the better.

Four changes are proving particularly popular. First, companies are getting rid of "ranking and yanking", in which those with the lowest scores each year are sacked. GE, which practised this system with particular enthusiasm under its previous boss, Jack Welch, has now dropped it. Second, annual reviews are being replaced with more frequent ones—quarterly, or even weekly. Third, pay reviews and performance reviews are being separated. And fourth, some performance reviews are turning into performance "previews", focusing more on discovering and developing employees' potential than on rating their past work.

Is this new system of employee reviews any better than the old? There are good arguments for getting rid of ranking and yanking: the ritualistic decimation of the workforce on the basis of a single number routinely paralysed businesses in the run-up to each year's reviews, killing creativity and setting workers against each other. Thereafter the picture is murkier.

Some of the arguments being advanced for the new-style reviews are hoopla. Deloitte says its new system is about "speed, agility, one-size-fits-one and constant learning". The consulting firm's employees sit down once a week with their "team leaders". But good managers should give their charges constant feedback anyway. Adding another regular meeting to everyone's calendar sounds like a formula for time-wasting. "One-size-fits-one" assessment is meaningless: a vital part of assessing people is measuring them against their peers—particularly when you have to think about who to promote or how to divvy out bonuses. It sounds nice to focus on people's potential rather than their past performance. But how do you assess the former without considering the latter? And if decisions about pay are not based on performance, what will they be based on?

Some of the arguments are not just hoopla, but dangerous hoopla. Social scientists have repeatedly demonstrated that performance reviews are distorted by two things: office politics and grade inflation. Managers are susceptible to lobbying. They also have an incentive to put a positive spin on things, often against their own better judgment, because in assessing their subordinates' performance they are, to a large extent, evaluating their own ability to manage. Deliver a series of damning verdicts on your team and you inevitably raise a red flag about your own leadership. But the more subjective the reviewing process becomes, the more powerful these distortions are likely to be: "instant" feedback sessions can easily become orgies of mutual praise that do not teach anybody anything.

For purists, such as Samuel Culbert of UCLA's Anderson School of Management, this is proof that performance reviews are unsalvageable: better to get rid of them entirely than to replace one imperfect system with another. In fact there are good reasons why almost all organisations this side of Utopia use employee reviews of one type or another.

Insurance against lawsuits

Companies are always having to make difficult decisions, whether allocating limited resources (such as promotions and bonuses) or sacking people if they hold the organisation back or if the market turns down. It is preferable to make such decisions on the back of robust criteria rather than on the basis of managerial whim. Increasingly, firms also have to defend those decisions in the courts against people who feel hard done by. Firms that embrace more touchy-feely assessment systems, let alone get rid of them entirely, may be setting themselves up for legal nightmares.

Annual performance reviews can certainly be improved. Companies need to put more effort into guarding the guards—training them in how to conduct reviews and holding them accountable if they are overgenerous or otherwise sloppy. Google wisely encourages its managers to review each other's assessments. Bosses also need to be more rigorous about acting on what they discover: there is no point in amassing information about weak performers if you only act on it in a crisis.

However, provided they are carried out consistently, rationally and fairly, and supplemented with more frequent feedback, annual performance reviews have many virtues. They provide a way of measuring an employee's development over time (it is odd that some of those who criticise annual feedback for being too slow also criticise companies for being too short-term). They also provide a way of measuring all a company's employees against each other rather than just their immediate colleagues. Bill Clinton once said that the best approach to affirmative action was "mend it, don't end it". The same is true of annual performance reviews. ■

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Manufacturing

A hard pounding

A vital chunk of the world economy is beset by weakness

CATERPILLAR is one of the most renowned industrial brands. It makes the kind of heavy machinery—loaders, excavators and off-road trucks—that is used in the construction, mining and transport industries when things need to get dug out or shifted somewhere. But the firm's latest results, released on January 28th, show that it is struggling to shift its own products. "This past year was a difficult one for many of the industries and customers we serve," it said. Revenues in 2015 were nearly 15% lower than they were in 2014, and 29% below the 2012 peak.

The company's woes are emblematic of the problems facing manufacturers worldwide. Although manufacturing is a much smaller part of most developed economies than services—just 12% of output in America, for example—its recent weakness makes many economists nervous about the wider outlook.

Recent data point to the size of the problem. Big jobs cuts have been announced this year by GE, Tata Steel and Bombardier. In December industrial production fell by 0.7% in Italy, 1.1% in Britain, 1.2% in Germany and 1.6% in France. In China both the official purchasing managers' index (PMI) of manufacturing activity and that of *Caixin*, a leading financial magazine, are below 50, the threshold that indicates contraction (see chart).

In America, manufacturing output rose by 0.5% in January but only back to its level in October; it has fallen in four of the past six months. The manufacturing PMI, compiled by the Institute for Supply Management, has been below 50 since October. Services-sector PMIs in most countries, by contrast, indicate continued expansion.

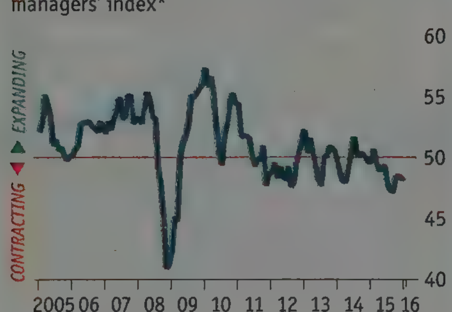
A slowdown in Chinese economic growth, as the authorities try to switch from an investment-led to a consumption-led model, is blamed by many manufacturers in the developed world for their problems. The steel industry is suffering from the effect of past Chinese investment, which has led to massive overcapacity and plunging prices. China's demand for raw materials in the first decade of this century also prompted mining companies to step up production, and shipping companies to build more vessels. As Chinese demand has dropped, both industries have taken a pounding. Bloomberg's commodity index has fallen by 28% over the past 12 months. The Baltic Dry index of shipping rates is down by 98% from its peak. The latest data show that Chinese imports, by value, have fallen by 18.8% over the past year.

Yet China itself is suffering from weak global demand; the value of its exports has fallen by 11.2% over the same period, including declines of 10% to America and 12% to the EU. Before the financial crisis, global trade used to grow faster than GDP, now it is lagging behind. The OECD, a club of mostly rich countries, estimates that trade volumes last year grew by just 2%.

The sluggish nature of trade growth has a disproportionate impact on manufacturing. Around 25% of all American manufacturing jobs are linked to trade, compared with just 6% of jobs in services. Even though overall job growth in America has been strong, there were no net gains in manufacturing employment last year. In ▸▸

In the doldrums

China's manufacturing purchasing-managers' index*

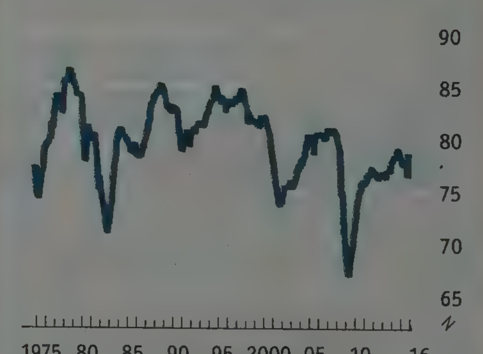


*A reading above/below 50 indicates manufacturing is generally expanding/contracting compared with the previous month

Source: Markit, Caixin

Past its peak

US industrial sector, capacity utilisation, %



Source: Federal Reserve

trade-intensive American industries, Bank of America Merrill Lynch estimates that output was growing at an annual rate of just 0.1% by the end of 2015.

Falling commodity prices also mean that oil and metals producers are not investing in new plant and equipment, which hurts the companies that produce such goods. Exxon Mobil, an oil giant, has announced a 25% cut in its capital-expenditure plans for 2016, for example.

American capacity utilisation, a measure of how much productive capacity is not idle, may have peaked at a lower level than in previous cycles (see chart on previous page). Firms seem to be struggling to sell what they produce: the inventories-to-sales ratio is higher than at any time since the financial crisis. By the time the fourth-quarter reporting season is over, American industrial companies in the S&P 500 are expected to have reported an annual decline of 5.4% in earnings and 7.3% in sales.

The rising dollar is a problem for American firms, as it makes their wares more expensive. On a trade-weighted basis, the greenback is up by 22% since mid-2014. That is painful for companies that make low-margin commoditised goods such as paper or plastics. But currency movements cannot explain the weakness in European manufacturing; the trade-weighted euro has dropped by 11% over the past five years.

The best hope for manufacturers is that this weakness is temporary. Falling commodity prices have had a short-term impact on the energy and materials industries. But in the medium term, lower prices should be good for consumer demand in the developed world, and they will step up their purchases of manufactured goods. Carmakers have already shown that it is possible to buck the trend. Low petrol prices encouraged American car buyers last year, with sales hitting a record 17.6m.

Buttonwood | Liquid leak

Can weak markets be explained by changes in bank balance-sheets?

ECONOMISTS have been a bit puzzled by the market turmoil of early 2016. It seems to be driven, in part at least, by fears of either an American recession, or a sharp Chinese slowdown, neither of which looks likely from the data. Perhaps the answer to the conundrum is that market movements are not being driven solely by fundamentals but by recent developments in market liquidity.

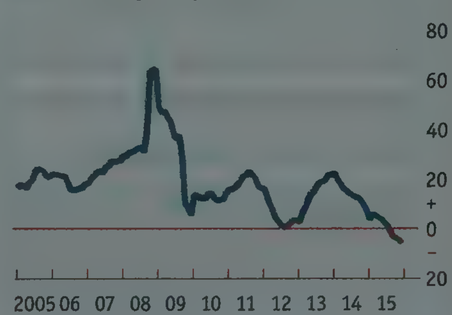
Central banks' support for markets, via quantitative-easing (QE) programmes, is well known. Emerging-market central banks have also been big buyers of government bonds as they have built up their foreign-exchange reserves. But the Federal Reserve stopped its QE programme in 2014 and, in recent months, Chinese foreign-exchange reserves have fallen by around $700 billion. This means the Chinese authorities are net sellers, rather than buyers, of financial assets. Low oil prices mean that sovereign-wealth funds in oil-producing countries may also be selling assets.

CrossBorder Capital, a research firm, says that the combined balance-sheets of the Federal Reserve and the People's Bank of China were growing at more than 10% a year for much of the past decade—and reached a peak of 64.5% growth in 2008. But over the past year, they have actually contracted (see chart). Both the European Central Bank and the Bank of Japan are still adding assets, of course. Nevertheless, CrossBorder's global liquidity index, which reflects changes in the balance-sheets of a range of central banks, has fallen to 35; a world recession, says the firm, is signalled when the index drops below 30.

Central banks may not be the only factor affecting market liquidity. Matt King, a credit strategist at Citigroup, highlights a number of oddities in a recent research note. The first is the relationship between

Losing support

US Federal Reserve's and People's Bank of China's combined balance-sheets
$ terms, % change on a year earlier



Source: Thomson Reuters

government-bond yields and the cost of interest-rate swaps. A swap involves two parties agreeing to exchange a fixed-rate payment for a floating rate based on a variable measure, such as Libor. Since the counterparties to such deals tend to be from the private sector (notably banks), the fixed-rate element of the swap has tended to pay a higher yield than the equivalent government bond, to reflect the greater risk. But the cost of swaps has fallen below Treasury-bond yields, a phenomenon dubbed a "negative swap spread".

The other shifts are in the corporate-bond market. Investors with a strong view on where the bond market is heading can buy or sell individual bonds, or they can use a derivative called a credit default swap (CDS). A CDS is a kind of insurance policy, which pays out if the bond defaults; when corporate-bond prices are falling, the cost of a CDS rises. Mr King points out that the cash market has recently, and unusually, underperformed the derivative (ie, the spread, or excess interest rate, on corporate bonds has risen faster than the cost of insuring against default via a CDS).

In a similar shift, the cost of insuring against the default of individual companies has risen faster than the cost of insuring a corporate-bond index. These changes in relative prices are the opposite of what happened in the crisis of 2008. Back then, the most liquid markets were the quickest to show the pain.

Mr King's explanation is that this is all to do with the reluctance of banks to tie up their balance-sheets, thanks to new rules on leverage ratios. Derivatives like swaps require banks to put aside very little capital compared with owning cash bonds, and so reduce demand for the latter. Banks are also unwilling to provide finance to traders who want to arbitrage such price disparities away; profiting from small price differences requires lots of borrowed money.

Another sign that liquidity is shifting can be seen in the world of exchange-traded funds (ETFs)—portfolios of assets that can be traded on the stockmarket. According to BlackRock, which operates the biggest high-yield ETF, daily trading in the fund was briefly worth a quarter of the value of all American corporate-bond trading in December. Buying and selling an ETF has become a more liquid way of shifting an investor's asset allocation.

Since the crisis commercial banks seem to have retreated from their market-making role. The impact of this shift has been disguised by the huge amounts of liquidity injected by central banks. But as central banks scale back their support, the underlying investors (pension funds, insurers, hedge funds and the like) will have to rely on each other to act as willing buyers and sellers. That seems highly likely to result in more volatile markets than in the past, especially when the outlook for the economy is unclear. Buckle up.

Economist.com/blogs/buttonwood

As for China, recent data may be distorted by the effect of the lunar-new-year holiday. Chinese road freight grew last year; officials have started breaking out consumer-focused industries within its official PMI, and those data still seem robust. In a rare interview published this week by *Caixin*, Zhou Xiaochuan, the head of China's central bank, dismissed worries on the part of developed-world manufacturers that the Chinese would devalue the yuan to enhance the competitiveness of their exports. He vowed not to pursue a policy of competitive devaluation, and insisted China had more than enough in foreign-exchange reserves to fend off those who were speculating against the currency. His comments sent the beleaguered yuan soaring: it hit its highest level this year on February 15th.

For the moment, however, pessimism reigns. Even the shares of carmakers have taken a battering in the early weeks of 2016, underperforming the rest of the market. Global fund managers polled by Bank of America Merrill Lynch now have their lowest weighting in industrial stocks since 2011. Perhaps the much-larger services sector will pull manufacturing out of its rut. But investors are not counting on it. ■

The fallout from low interest rates (1)

Nope to NIRP

TOKYO

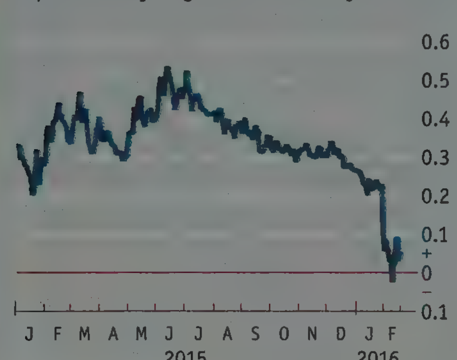
The practical limits on monetary policy become more obvious

UNTIL this month bond traders were the most voluble complainers about the Bank of Japan's vast programme of quantitative easing (creating money to buy bonds). The central bank's interventions had slashed trading volumes in their market. But their gripes had a tiny audience and, understandably, received scant sympathy. Things have changed with the central bank's new negative interest-rate policy (NIRP), which went into effect on February 16th. It has pummelled banks and spooked Mrs Watanabe, the archetypal Japanese saver. Fans of the new policy are hard to find.

For around two trading days after the BOJ announced on January 29th that some bank reserves would be charged -0.1%, financial markets responded as intended—the yen weakened and the Nikkei 225 share index rose. Then, with the European Central Bank hinting at an extension of its own negative-rate policy, investors sought safety in the yen, which rose sharply. In turn that dragged down the stockmarket, since Japan's exporting giants may earn less if their competitive position is eroded.

Dis-interested

Japanese ten-year government-bond yield, %



Source: Bloomberg

Even after a rally on February 15th, when the Nikkei rose by 7.2%, the stockmarket is down by 9.6% since the BOJ's announcement of negative rates; the yen is 5.9% higher against the dollar. Stocks were not helped by news that GDP contracted by an annualised 1.4% in the fourth quarter, chiefly because of weak consumption.

The chief surprise for the BOJ was that banking stocks fell even faster than the overall market, with the drop coming close to 24%. The direct effect on banks' profits is limited. For now, the central bank's negative-rate policy applies to only ¥23 trillion ($200 billion) out of the ¥253 trillion that banks have parked with it. A further ¥24 trillion will earn 0%, and the rest will continue to earn 0.1%. But the BOJ may not have thought as much about the indirect effect on their business models, says Naohiko Baba of Goldman Sachs.

Sharply lower long-term interest rates—the ten-year government-bond yield briefly dipped into minus territory (see chart), alongside overnight interbank rates—mean a sharp squeeze on net interest margins for all banks when profits from lending have already gone down. There is little room to shield margins. Deposit rates are wafer-thin; banks are unlikely to charge retail customers for parking their funds.

Standard & Poor's, a rating agency, expects profits at the five largest Japanese banks to fall by 8% over the next year or so and by 15% at regional banks, which are more dependent on their traditional lending businesses. A profits crisis among Japan's 100-odd small local lenders may be just what the regulator ordered, since it is trying to consolidate them, but it probably had a smoother process in mind.

If the BOJ ventures further into negative territory in order to reach its target for sustained inflation of 2%, the impact on big banks could become too pronounced for comfort. The governor, Haruhiko Kuroda, would probably like to bring rates to levels similar to those of some European central banks, at perhaps -0.5% or lower. Negative rates are a potent new means of easing when the BOJ may face limits on expanding its bond purchases from its current ¥80 trillion a year. It now owns around a third of Japanese government bonds. Expanding purchases to around ¥100 trillion is probably as far as it can go.

Japan's big banks have the capital and profits to withstand a squeeze. If, as the BOJ wishes, they are prompted to expand bargain-basement loans to companies and consumers, they will help stimulate the economy. Several are already lowering mortgage rates, sparking hopes for further house-price rises. Yet banking chiefs, who have until now supported the BOJ's monetary easing, are likely to use their considerable influence to lobby against a further descent into the red.

Many ordinary savers, meanwhile, view the central bank's move as a portent of unstable times. Elderly deposit customers remember the time, after the second world war, when the government restricted cash withdrawals from banks and taxed deposits to pay off debts, notes Izuru Kato of Totan Research in Tokyo. Shopping malls in the capital are urging the merits of safety deposit boxes just in case commercial banks do impose negative rates, and they are selling well. A handful of local banks, such as Onga Shinkin Bank in Fuku- ▸▸

Kuroda corrodes the banks

oka prefecture, have defied the central bank with a rise in deposit rates to reassure their nervous customers.

Given the volatility associated with the introduction of negative rates, the BOJ has indicated that it will gauge the market's mood before lowering them further. The turmoil is also prompting questions about the policies of Shinzo Abe, the prime minister. If monetary easing is reaching its limits, fiscal policy may be needed to try to revive the economy. Mr Abe's advisers are once again strongly urging the postponement of a second increase in the consumption tax, or VAT, which is due in April 2017. The rise has already been delayed once. Hawks at the Ministry of Finance are fighting hard against the possibility. But such a step would please almost everyone else, unlike negative rates. ■

A Saudi-Russian oil accord

Another Doha merry-go-round

A potential freeze on oil output will do little to buoy prices

QATAR'S capital is an inauspicious place for dealmaking. The Doha round of world-trade talks meandered on for almost 15 years. An agreement there on February 16th between Saudi Arabia and Russia, two of the world's biggest oil producers, to freeze production at January levels if others join in, may presage a similarly never-ending saga to shore up oil prices.

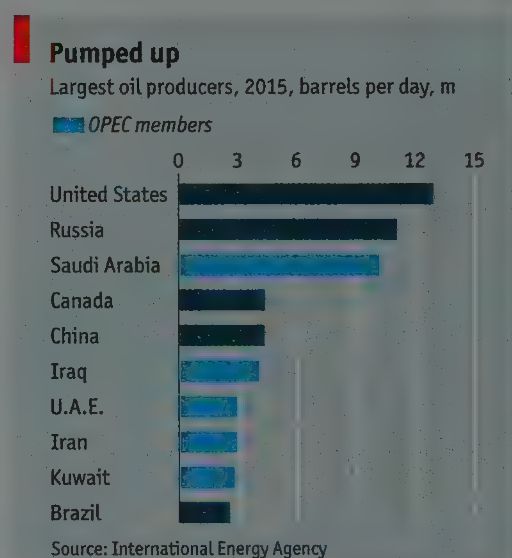
That seemed the likely outcome when, on February 17th, Iran's petroleum minister, Bijan Zanganeh, emerged from a meeting with his Iraqi, Qatari and Venezuelan counterparts in Tehran saying that Iran supported the freeze, but without indicating whether it would take part. Oil prices climbed afterwards, but unless Iran participates fully, a production freeze is likely to be a non-starter. After years of sanctions it, more than anyone, has an incentive to wrest back market share from countries that cap their output (see chart).

Oil-market bulls say that any sort of discussion about a freeze is a positive surprise. It comes despite tensions between Saudi Arabia and Russia over Russian military intervention in Syria. It coincides with production cuts in America's shale-oil industry; as one analyst puts it, like central-bank currency intervention, it helps that market forces are heading in the same direction. It could also lead to broader co-operation. Ali al-Naimi, Saudi's oil minister, called it "simply the beginning of a process".

Yet there are plenty of caveats. Saudi Arabia, Russia and Iraq were all pumping at or close to record levels in January. A freeze would do little to curb the oversupply that has pushed up oil inventories around the world—one of the biggest headwinds for prices. Iran has just loaded its first oil shipment to Europe since the lifting of nuclear-related UN sanctions last month, and has insisted it wants oil exports to increase by 500,000 barrels a day before the end of March.

One Middle East oil expert suspects that the Doha meeting may have taken place only because of a negotiating trick by Qatar. He says both Russia and Saudi Arabia thought the other had agreed to a cut. Once in the room they realised there was no such agreement, but knew the consequences of admitting as much would be so damaging for oil prices that it was better to use a freeze as a figleaf. They also knew that, if the freeze failed, it could be blamed on Iran.

Even if the big producers do one day decide that prices are so weak that a co-ordinated cut makes sense, it may provide only a temporary respite. Scenting higher prices, American shale producers could quickly try to pick up the slack.



The fallout from low interest rates (2)

The lowdown

Insurers regret their guarantees

FINANCIAL markets may be drawing breath after their recent falls, but one industry in particular has little reason to feel calm. The life-insurance industry has deeper problems than just temperamental markets. Years of doling out goodies from a seemingly bottomless sack are now catching up with these actuarial Santa Clauses, who in their worst nightmares did not imagine that the interest income from their investment portfolios could stay so low for so long.

Insurers tend to be prudent investors who like steady returns, which is why around 80% of their assets are in fixed-income securities. This served them well during the financial crisis, but today—with bond yields at historic lows, and even in negative territory—it hurts their investment income. This is particularly true for life insurers, which own over $21 trillion of the industry's $28 trillion assets, and rely heavily on this investment income to pay policyholders.

European insurers are especially exposed. Over two-thirds of life-insurance policies in force in the EU today offer some sort of guarantee. More than half of these policies have promised a higher income to policyholders than insurers can currently earn on newly-issued bonds, according to the European Insurance and Occupational Pensions Authority, a regulator.

To make matters worse, many of these life insurers have a mismatch between the duration of the promises they have made to policyholders and the shorter time until their assets mature. Although there are big differences between firms, Moody's, a rating agency, reckons those most at risk tend to be in Germany, the Netherlands, Norway and Taiwan, where average duration gaps are especially large (14 years in Norway) or guaranteed rates are eye-wateringly high (4-5% in Taiwan).

On the top naughty step sits Germany. In the sunny years around the turn of the millennium most German life insurers gave customers a maximum guaranteed interest rate of 4% per year, both for savings and lifelong pensions. To meet such extravagant promises, insurers bought ten-year bonds at much higher rates than are available today. But when those assets matured, the liabilities remained (the average lifespan of existing German life-insurance policies is 20 years).

The average returns promised to German policyholders are far higher than the yields on government bonds that insurers can now buy. Corporate bonds offer returns that are barely higher, which leaves two options: invest in riskier assets such as equities (which will require the insurer to put more capital aside), or face the fact that annual payouts to policyholders will outstrip income, a recipe for losses.

Both outcomes sit uncomfortably with rating agencies, never mind investors. Fitch, another rating agency, warned in 2014 that some insurers might take too ▸▸

much risk in the hunt for yield. But the bigger worry today is that they stick to current policy and become unprofitable. Moody's fears that if rates stay low for another four years, loss-making insurers will eat into their capital buffers, and some could—eventually—become insolvent. The more an insurer looks like it might struggle to meet future financial obligations, the higher the cost it will face if it eventually seeks to raise capital from investors to shore up its balance-sheet.

Faced with this prospect, life businesses are doing what they can to push risk back to the customer. In some countries, such as France, the promises made to existing policyholders have the built-in flexibility to be scaled back. But mostly the burden falls on new policyholders, who are no longer sold products with guarantees.

Ironically this de-risking creates a different danger: that the industry becomes irrelevant. By removing the key selling point of an insurer over a mutual fund—the assurance that a policy will pay out no matter what—the industry risks negating its business proposition to investors looking for security. (It does so, moreover, at a time when pension funds are watering down their long-term financial commitments, says Daniel Hofmann of the Geneva Association, who worries about the consequences for society and the economy.) The big question is whether new customers will buy savings-based insurance products at all in this shaky market environment, says Benjamin Serra of Moody's.

To survive, the life-insurance industry will need to address the question of what it is for. Most premium income for life insurers comes from the savings business, where guarantees play a central role. The classic model thrives on short-term interest rates of between 2-6%, government bonds yielding at least 4% and no worries about defaults. "That's when we can sell policies cheap and generously," sighs one nostalgic underwriter.

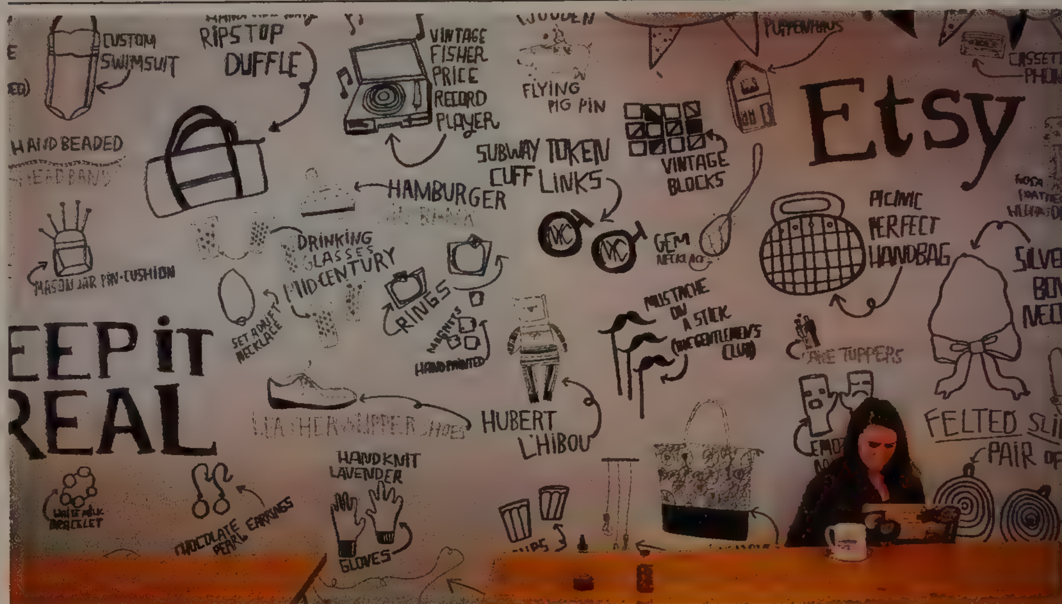
Change of policy

But with no prospect of such rate levels returning, life insurers must find a way to change. This could include merging with other (non-life) insurers, or developing new products that are not as dependent on yield but still give customers a long-term return. The transition will be a lot easier for those insurers without significant risks on their balance-sheets already. The unlucky ones with large loss-making policies already in place face a harder road.

The good news is that they have a bit of time of their hands. Insurers are not as vulnerable to the risk of a run as banks. The assets of insurers are usually liquid and their liabilities tend to be tied to specific events—such as someone getting ill, retiring or dying—whose probabilities can be calculated. Unlike banks, insurers should not become insolvent overnight. A financial reckoning, should it come, can be put off for years, even decades.

Regulation also helps, says Oliver Steel of Deutsche Bank. Banks were given until 2019 to raise new capital by the Basel 3 rules (and many did so earlier). But under the Solvency 2 regime set up by the EU to govern insurers, firms have generous transition periods of up to 16 years. The German government and regulator have also taken steps in recent years to strengthen the sector, such as forcing insurers to set aside specific reserves (*Zinszusatzreserve*) and limiting guarantees on new business.

Such comfort only goes so far, however. In spite of these reforms, Moody's believes that the German industry will incur losses if interest rates stay at low levels. And that looks likelier than not. ■



The gig economy

Smooth operators

WASHINGTON, DC

A new report reveals the scale and purpose of app-based earnings

HOW important is America's on-demand economy? Some worry that the likes of Uber, a car-hailing app, and Etsy, which helps workers to sell arts-and-crafts, are destroying traditional employment and with it pensions and health-care benefits. Others hail the flexible hours, low prices and convenience such apps facilitate. Until now not many data have informed this debate. Official statistics track things like part-time working, self-employment and working from home, but the app economy is too small to move those needles. In fact, most indicators suggest it is boring traditional work, rather than app-enabled odd-jobbing, that is on the rise.

A new report plugs the gap. Researchers from the JPMorgan Chase Institute, a think-tank attached to the bank, studied the incomes of 1m of their customers with active current accounts of three years. They found that, in September 2015, 1% of them earned income through an (identifiable) on-demand platform. Of these, just over half used "capital" platforms, such as Airbnb, to lease stuff they own. The rest—about 0.4%—used labour platforms like Uber. Though small, the supply of on-demand labour and capital has grown rapidly: as recently as the end of 2012 barely 0.1% of the bank's customers earned through online platforms. Since then, 4.2% have participated at one point or another.

Is the on-demand economy replacing traditional jobs? Uber drivers are "independent contractors" who must pay their own payroll taxes, buy their own health insurance and save for their own pensions. Some drivers think this is wrong (and have taken their battle to the courts). In December 2015 two economists, Seth Harris and Alan Krueger (who has consulted for Uber in the past), penned a plan for a third category of worker, somewhere between a contractor and an employee, designed for the on-demand economy. The "independent worker" would get some benefits, like contributions towards health-care costs and payroll taxes, but would not be entitled to the minimum wage or unemployment insurance. Messrs Harris and Krueger say that equalising benefits makes it easier to compare earnings between jobs and apps, and that firms can use their bar- ▸▸

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gaining clout to obtain health insurance more cheaply than individuals can.

Such reforms, though, would be relevant to only a tiny fraction of the workforce. JPM's data suggest that most on-demand workers use apps to supplement their income, rather than as a replacement for a full-time job. On average, labour platforms provided only one-third of on-demand workers' incomes. And their participation was often sporadic; almost half of those who start working on a labour platform stop within a month.

Earnings from Uber and the like are strongly correlated with negative shocks to incomes from other sources (capital platforms are used much more consistently). That suggests people use apps to smooth bumps in their earnings, which are frequent: more than half of JPM's customers have seen their incomes swing by at least 30% in a month. Volatility in pay is largely responsible. Perhaps conventional jobs are not so great after all. ■

Hedge funds

Not dead, just resting

A bunch of hedge funds have closed. Has the industry reached its peak?

IN 1990 hedge funds were still rare birds; 500-odd funds managed around $40 billion, mostly for rich individuals. Few people understood what they did or bothered to find out. By the end of 2015, the sector had mushroomed to include nearly 9,000 funds managing roughly $3 trillion. Along with private equity, the industry was classed as an "alternative asset", attractive to pension funds and endowments. But a recent wave of fund closures, and the expectation that more will follow, suggest the industry's era of stratospheric growth may be in the past.

On the surface, fund closures are the norm in a cut-throat industry: every year hundreds of fund managers call it quits, only to be replaced by yet more would-be masters of the universe. But the gap between closures and launches is narrowing (see chart). In the first nine months of last year 785 new funds were launched and 674 were closed, according to Hedge Fund Research (HFR), compared with figures of 814 and 661 over the same period in 2014. In 2016, for the first time since the worst of the financial crisis, there may be more closures than launches, says Amy Bensted of Preqin, a data provider.

The main reason for the shutdowns is poor performance. "It's a performance industry. If you don't perform people take their money and leave," says Anthony Lawler of GAM, an asset manager. Last year was the industry's worst since 2011; HFR's fund-weighted composite index ended down by 1.09%. In the last quarter of 2015 investors withdrew $8.7 billion from the hedgies, according to Preqin. For the first time since the crisis more institutional investors now plan to cut their hedge-fund exposure than to increase it.

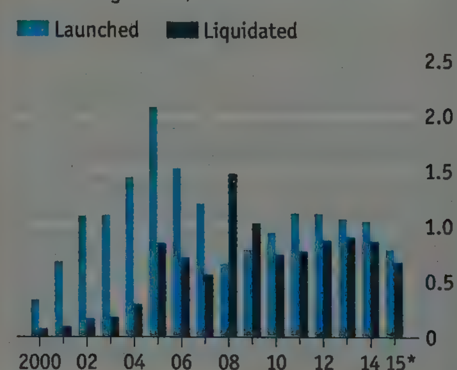
This year has been no better. With losses of 2.8%, January was the worst month for the industry since September 2011, according to HFR. Market turmoil generated even steeper losses for large funds such as Pershing Square (which was down by 18.6% as of February 9th).

Many funds that close have no choice but to throw in the towel. A tough macroeconomic environment, pressure to cut fees, increasing cost of regulatory compliance, and some very bad bets on distressed debt and energy assets, have all made it harder to run a hedge fund today than in the good old days of the 1990s. With investors becoming increasingly risk-averse, knee-jerk redemptions have become more common. For a small fund, if just one investor pulls out that can be the end of the business: 75% of the funds that closed in 2015 managed less than $100m.

But there is a second, more surprising set of fund closures. A number of large high-profile funds, such as BlueCrest, Nevsky Capital and more recently, Standard Pacific and Orange Capital, have chosen to return outside capital to investors. This is puzzling; asset managers normally like to keep money. Disappointing performance, poor ratings and redemptions play a role in many voluntary liquidations, too. But many could have continued. Standard Pacific's founders wrote to investors two weeks ago that "sometimes there is a logical conclusion to even a good thing."

Hedge trimming

Global hedge funds, '000



Source: HFR *To end-September

BlueCrest's Michael Platt, who in December told investors he would return their money, claimed the industry's fee model was "no longer a particularly profitable business." Nevsky's chief investment officer, Martin Taylor, blamed the prospect of another bear market and a change in market structure that meant the fund's research-heavy approach was less effective than before.

One London banker thinks managers like Mr Platt were "just sick of investors' monthly calls every time an asset drops a few percent." Compared with private equity, hedge funds have short lockup periods, which means investors can redeem their cash relatively easily whenever they feel queasy about China or the oil price. Some managers have responded to this fickleness by running their funds as private family offices, much like George Soros or his old colleague, Stan Druckenmiller.

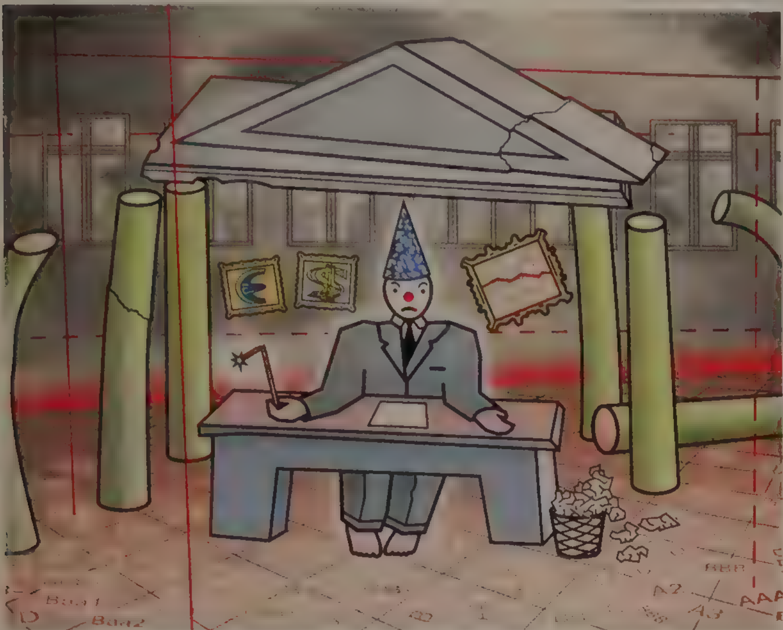
A lot comes down to personality. Because the hedge-fund boom happened in such a short space of time, lots of today's biggest managers come from the same generation. Many are tired and fed up; and with their millions made, they have little need to carry on. Moreover, succession planning has not been an industry strong suit: few fund managers have built organisations that will survive them. (Even those that have can run into trouble: investors in Bridgewater Associates, the world's largest hedge fund, which manages $154 billion and had a very good 2015, were this month treated to a farcical set of mudslinging letters from the firm's founder and its heir-apparent, asking them to judge each other's conduct.)

Fewer new funds seem likely to appear in 2016. Jonathan Miles, from Wilshire, a pension-fund adviser, thinks the governance and regulatory costs make it harder than ever to start a fund—particularly in Europe, where the regulatory regime has become especially tough (which also helps explain why more European funds closed in 2015 than American ones).

Despite their sharp trades and sharper elbows, hedge funds have been slow to evolve. The field has become crowded and a natural selection of the fittest might be just what it needs, says Ms Bensted. Others, like Pierre-Edouard Coiffard of Laven Partners, a consultancy, think the business model of large hedge funds will tend to converge towards that of more traditional asset managers. Only the smaller specialist players will remain "pure" hedge funds. Whether investors will reinvest with the survivors or abandon the industry altogether is yet to be seen. But the days when hedge funds endlessly expanded appear to be over. ■

Free exchange | Slight of hand

Timid central bankers have failed to convince sceptical audiences



IS THE job of central bankers more like that of technicians, carefully turning knobs as they fine-tune the economy, or magicians, manipulating the audience into the suspension of disbelief? Most of the time it is the former. Monetary maestros nudge interest rates up and down with meticulous precision. Yet in extreme cases—such as when economies become trapped in a low-growth rut—central bankers must try to conjure up a change in the public's economic outlook. Just as uncertain magicians often fail to pull off their tricks, so central banks are finding their audiences in an ever-more sceptical mood.

Economists have long acknowledged the role of mass psychology in business cycles. In 1936 John Maynard Keynes described the "animal spirits" that could drive swings in spending or investment. The power of an abrupt change in market beliefs came sharply into focus in the early 1980s, when many economies were struggling to clamp down on stubbornly high inflation. Economists at the time worried that using interest rates to rein in inflation would be enormously costly. Because the public had come to expect high inflation, they reckoned, growth-crushing rate rises would be needed to force down prices and create new consumer expectations. A common estimate at the time had it that reducing America's inflation rate by just one percentage point would cause economic damage of nearly 10% of GDP.

Thomas Sargent, a winner of the Nobel prize for economics, questioned this logic. In a paper published in 1982 he pointed out that historical episodes of hyperinflation did not end slowly, as central banks subjected economies to grinding recessions, but almost overnight. An abrupt but credible "regime change" in policy could realign popular expectations almost instantaneously, he reasoned. If people believed a government's promise to halt inflation, and immediately began behaving as if the promise were credible, then in principle the adjustment could occur quickly.

In a paper published in 1990 Peter Temin, of the Massachusetts Institute of Technology, and Barrie Wigmore, of Goldman Sachs, argued that Mr Sargent's regime-change hypothesis might just as easily apply in reverse to an economy stuck in a slump. They analysed the American economy in the 1930s. Franklin Roosevelt's programme of expansion—which included a departure from the gold standard, devaluation of the dollar, and a boost to government spending—was instrumental in bringing America out of depression, they allowed. But the turnaround in America's fortunes occurred remarkably quickly, before those policies had time to work. As Christina Romer, an economist at the University of California, Berkeley, noted in 2013, the change in expectations in America happened almost immediately on Roosevelt's arrival. Equity prices jumped by 70% between March 1933 and June of that year. An analysis of market expectations of inflation concluded that traders anticipated deflation of 7% at the beginning of 1933, but inflation of 6% by the end of the year.

Messrs Temin and Wigmore credit Roosevelt with transforming the public's beliefs about how the economy would perform in future. During his campaign and after his inauguration, Roosevelt repeatedly pledged to raise prices in the deflation-stricken economy. The choice to leave the gold standard—the centre of monetary orthodoxy at the time—was a powerful signal that the break with the past would be complete.

When, in 1999, Japan became the first big economy to sink into a world of zero interest rates since the 1930s, economists spotted the parallel. Japan risked becoming stuck in a liquidity trap, they pointed out. When an economy is weak, a dose of bad news can cause people to revise down their expectations for future inflation (since less spending and hiring will mean slower growth in prices and wages). A drop in inflation expectations pushes up the real interest rate, squeezing borrowing and adding to pessimism.

With the nominal interest rate stuck at zero, the Bank of Japan could not compensate for such increases through further cuts to interest rates; only the credible promise to boost inflation and keep it up could help the economy escape from the trap. In a paper published in 1998, Paul Krugman, another Nobel prizewinner, argued that Japanese central bankers had to issue a credible promise "to be irresponsible". Ben Bernanke, who later became chairman of the Federal Reserve, mused that it was "time for some Rooseveltian resolve in Japan". Both argued that Japan should aim for an unusually high target for inflation, of between 3% and 4%, and should promise to print money as needed to hit the target.

The Bank of Japan instead opted for knob-turning. It eventually created money to buy assets. Yet not until 2012 did it set a firm inflation target, of just 1% (which it raised to 2% in 2013). When other advanced economies joined Japan in the zero-rate world after the financial crisis of 2007-08, they too failed to make a Rooseveltian commitment to regime change by promising, for example, to return the price level to the previous trend.

Hocus pocus

In this fraught world, central bankers risk falling into what Mr Krugman has called a timidity trap. The longer that knob-turning fails to get an economy out of the zero-rate rut, the less credible markets are likely to find subsequent attempts at regime change. Recent efforts to push interest rates into negative territory seem to have unnerved markets rather than sparked confidence. Perhaps more importantly, central bankers tend not to adopt major shifts in mandates and targets unless urged to do so by popularly elected governments. It is difficult to muster Rooseveltian resolve without a Roosevelt. Expect growing scepticism about the power of knob-turning until voters choose politicians confident enough to wave a magic wand. ■

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The American Association for the Advancement of Science

Cassava-nova

WASHINGTON, DC

The annual AAAS meeting looked at the immune system, Roman portraits and genetic engineering. But first: improvements to a staple African crop

Staple foods of the rich world—wheat, barley, rice, maize and so on—have undergone long and sophisticated breeding programmes to increase their resistance to pests and pathogens, and to improve their yields and the convenience of harvesting them. The fruits of such research are found on the tables of the poor world as well, since these crops are ubiquitous. But poor countries often have other staples, and these have not usually been subject to such genetic ministrations.

For one such staple, things are changing. Cassava, a crop whose starchy roots feed 500m Africans, is in the process of getting a makeover which employs the best that agricultural science has to offer. And Chiedozie Egesi of the National Root Crops Research Institute in Umudike, Nigeria, who leads the NextGen Cassava project, told the meeting of the American Association for the Advancement of Science (AAAS), in Washington, DC, all about it.

From an African point of view a big problem with cassava is that it is originally a South American crop. It was introduced to Africa by the Portuguese, from their colonies in Brazil, but the strains they brought—or, at least, those that survived transplantation—represent a small fraction of cassava's genetic potential. African agronomists would like to bring in other New World varieties, to improve their own crops, but they cannot because most such imports fall foul of cassava mosaic disease, a virus that does not exist in South America and which the successful African strains are generally able to shrug off. Dr Egesi and his colleagues are trying to deal with the aliens' sensitivities by way of a breeding programme based on genomics.

They started with 6,128 different cassava specimens from all over Africa, and genotyped them using a technique called SNP analysis. The acronym stands for single-nucleotide polymorphism, a place in the genome where a single genetic letter varies from strain to strain. They found more than 40,000 SNPs that they could use to act as markers of genetic variation. Examining and testing full-grown plants from the collection for desirable characteristics, known as phenotypes, permitted Dr Egesi and his team to find correlations between particular patterns of SNPs and particular phenotypes. They then picked out 100 specimens with especially promising SNP patterns and crossed them, to produce nearly 10,000 hybrids. They grew these, checked the SNP patterns of the offspring to see which their computer model predicted would have the desired characteristic (in this case, giving special attention to resistance to cassava mosaic virus), picked, once again, the 100 most promising, and repeated the process.

They are now in the third cycle of the procedure (each generation of plants takes a year to raise and process) and reckon one more cycle will be required to get to the desired level of resistance. Moreover, what can be done for resistance to the cassava mosaic virus, Dr Egesi thinks, can be done simultaneously for other desirable phenotypes. He hopes SNP-based breeding will double cassava yields from their average value of about 10 tonnes a hectare as well as increase the amount of starch in the plant's root, increasing its nutritional and economic value. And there are further diseases he hopes to get rid of this way, including brown-streak virus and bacteria blight.

He hopes, too, to refine the identification of desirable phenotypes. Some physical characteristics of a plant can be judged by eye, or with the aid of a tape measure or scales. Testing disease resistance means challenging plants with the pathogens concerned. But many phenotypes require chemical analysis to detect—ideally, involving plants just plucked from a farmer's field. The project is therefore experimenting with hand-held infrared spectrometers that need only be held up to the cut surface of a cassava root in order to measure its levels of chemicals such as beta carotene (a precursor of vitamin A).

The prize for all this effort would be to put cassava on a par with the improved crops of the rich world. It might even become, like them, more of an industrial cash crop than something just grown for the pot, as is often the case now. Dr Egesi thinks his method can be used to improve the yield and quality of flour and starch made from cassava, making it more saleable. And that might have social as well as nutritional consequences. Most African cassava farmers are women. Putting money in their pockets would improve family budgets, and thus the welfare of some of the world's poorest countries. ■

Immunology

Mr T-cell

WASHINGTON, DC

Boosting the immune system to fight cancer

TO DEFEAT the enemy, you must first know the enemy. In the immune system, that job is done by T-cells, which recognise the molecular signatures of threats to their owner's well-being. This week, at the AAAS conference, researchers explained how turbocharging these cells can boost the immune system's ability to fight cancer, and possibly other illnesses, too.

The technology they use merges gene therapy, synthetic biology and cell biology. First, a batch of T-cells is extracted from the blood. A custom-built virus is used to implant them with new genes. The modified cells are then returned to the body, where their new DNA gives them a fresh set of targets to attack.

Stanley Riddell, at the Fred Hutchinson Cancer Research Centre in Washington state, creates cells that target a molecule, called CD19, that is found on the surfaces of some cancers. A firm called Juno Therapeutics is exploring whether the technique can be used to treat cancers that affect B-cells, another part of the immune system.

Dr Riddell has meanwhile been refining the technology. He told the meeting of his attempts to isolate and modify certain types of T-cells that are known to respond best to a given disease. In a trial of 31 patients with acute lymphoblastic leukaemia (ALL), that approach brought about a complete remission in 93% of cases—something Dr Riddell described as unprecedented.

Another refinement has been dealing with the toxic effects that these treatments can trigger. Sometimes, boosted T-cells can prove too eager for their owner's good. As their numbers double, roughly every 12 hours, they can trigger a runaway immune reaction called a cytokine storm. This can be fatal: two of the patients in the ALL trial died in that way.

The biggest cytokine storms, though, seem to come from the patients with the most advanced cancers. Dr Riddell's solution is to give the sickest patients the lowest dose. This means that the T-cells multiply more slowly, reducing the chances of an immune-system overreaction.

Although the ALL results are impressive, it is difficult to expand the approach to other cancers. To prime a T-cell to attack, it needs to be given precise co-ordinates. Otherwise it may lock onto, and destroy, something else in the body. But besides CD19, which is found in only a few cancers, scientists know of no other chemical target that is specific to cancer alone.

In a paper published on January 28th in *Cell*, Kole Roybal and his colleagues at the University of California, San Francisco propose a solution: tweaking cells to attack when they sense two different target chemicals instead of one. In isolation, neither target may be unique to cancer cells—but the combination might be. That could allow the immune system to be unleashed on tumours whilst sparing healthy tissue.

It is a long way from the lab to the clinic. But the technology is moving fast, and researchers hope that, one day, engineered T-cells might be used to treat a wide range of diseases, including HIV, immune deficiencies, and autoimmune disorders. Besides the elegance of the idea of boosting the body's own defences, the technology offers another big advantage over traditional drugs: once they have done their job, the engineered T-cells stick around in the body. That could offer protection against re-infection or the recurrence of a cancer. Chiara Bonini, of the San Raffaele Scientific Institute in Milan, told the meeting she had found that some modified cells were so durable that they might be able to protect their owners for a decade or more. ■

A plan comes together

Genetic engineering

CRISPR crunch

WASHINGTON, DC

A row over who invented a new gene-editing technique heats up

"IT HAS not escaped our notice", wrote James Watson and Francis Crick in 1953, "that the specific pairing we have postulated immediately suggests a possible copying mechanism." What they had discovered was the structure of DNA and the way its halves matched up. It was a classic of understatement, for what they had noticed would revolutionise biology.

With similar self-restraint, results published in *Science*, in 2012, noted "considerable potential for gene-targeting and genome-editing applications". In fact, the study revealed a simple method allowing scientists to tinker, at will, with the genomes of animals and plants. It threw open the doors to a new and egalitarian era of genetic engineering—a way to tackle problems ranging from pest control to drug design to the undoing, with military precision, of harmful mutations. What remains to be determined, however, is who can claim to have discovered it.

The CRISPR-Cas9 approach, as it is known, consists of a protein that can cut DNA and a short string of RNA that identifies where to do the cutting. It won two of the authors of the *Science* paper—Jennifer Doudna, of the University of California, Berkeley, and Emmanuelle Charpentier, of the Helmholtz Centre for Infection Research, in Germany—a $3m Breakthrough Prize in 2014. This week, Dr Doudna told a packed house at the AAAS meeting how it worked. She recounted how a serendipitous discovery about a bit of bio- ▸▸

chemistry, borrowed from a bacterium, led her team to a transformative technique that is already being put to use.

In parallel, however, a nasty patent dispute has been unfolding. Although Dr Doudna and her colleagues were the first to file a patent on CRISPR-Cas9, they were not awarded the rights to exploit it commercially. That privilege was granted in 2014 to Feng Zhang, of the Broad Institute and the Massachusetts Institute of Technology (MIT), both in Cambridge, who also claim to have discovered the technique. This decision has been challenged, and in January the United States Patent and Trademark Office (USPTO) said it would begin a process to decide which side could claim ownership.

Cutting questions

The nub of the Broad's argument is that what Team Doudna did is not gene-editing but rather little more than a study of the properties of a purified protein in a test tube. Robert Desimone, head of the McGovern Institute for Brain Research at MIT, has written that their work "involved no cells, no genomes and no editing". Team Zhang, by this account, really put CRISPR-Cas9 to work by showing it functioned in mammalian cells. This view was reflected in a hackle-raising paper in January in *Cell*, by Eric Lander, head of the Broad, outlining a history of gene-editing that elevated the work of Team Zhang while marginalising that of Team Doudna.

Supporters of Dr Doudna and her colleagues argue differently. Although CRISPR-Cas9 is by far the simplest gene-editing technique, it is not the first; others that rely on different nucleases, which do the DNA snipping, have been in use for a number of years. There is a pattern in the development of these other, trickier techniques: the substantive innovation, the one that ultimately leads to a functioning gene-editor, has been the ability to cut DNA at specific locations, something Dr Doudna did in fact show—in a test tube.

The forthcoming USPTO proceedings must therefore determine who knew what and when. Although these days patents are granted on a simpler "first to file" basis, the dispute will be settled under the older, "first to invent" standard, which was in place when both applications were made. The question for the USPTO in its hearings, which start on March 9th, is which party made the discovery in the lab first—something that is as yet not clear.

Team Zhang will be the "junior party" in the dispute, so the burden of proof lies with them. To win, Dr Zhang will need to show that he discovered CRISPR-Cas9 editing long before Dr Doudna's paper in 2012. The Broad may even use as evidence work that was carried out in test tubes.

None of this seems to have slowed commercial activity surrounding the technique. Editas, a company that currently holds the disputed patent, has said it will go public this year. Firms such as Caribou Biosciences, CRISPR Therapeutics and Intellia Therapeutics are also pursuing commercial applications of the approach; these either hold or license a patent filed by Dr Doudna that is pending. Whoever ultimately lays claim to the power over genomes that CRISPR-Cas9 represents, its "considerable potential" will be realised.

But some things—including more prizes, and possibly a Nobel—do hang in the balance. When Dr Doudna took questions from the press at the AAAS meeting, there was more interest in legal, rather than scientific, issues. Asked how she was dealing with the furore, Dr Doudna said: "Fortunately there are people who are way above my pay grade dealing with that." ■

Analysing art

Light, relief

WASHINGTON, DC

Revealing the painters and the paints of the ancients

IN THE West naturalistic portraiture began in classical times. Well-stocked museums in Europe and America are full of busts depicting recognisable individuals. Painting, though, is a more precarious art form. Paint peels. Wood and canvas backings rot. Frescoes crumble and fall. Few painted portraits survive from the classical period, but arid desert conditions have preserved one set: the funerary mummy pictures of the second century AD, from Tebtunis in Egypt. These portraits, affixed to mummies' bandages, depict the defunct in fresh and lifelike detail. Though neglected when they were rediscovered just over a century ago, they are now subject to intense scientific scrutiny. One of the scrutineers, Marc Walton of Northwestern University, in Illinois, told the AAAS meeting what he and his colleagues have found.

One conclusion is that they can assign groups of portraits to particular artists. The three shown, for example, seem to be by the same hand. Dr Walton's method here is to map each picture's contours by illuminating it sequentially from many directions, building a relief map from the resulting patterns of light and shade. This reveals both the size of the bristles of the artist's brush and the order in which he has composed the elements of the portrait. For these three, the bristles were 60 microns across, ruling out their being from cattle (160 microns), pigs (120 microns) or cats (30 microns). The best guess is that the artist used squirrel-tail bristles, which are about the right size. On top of this, spectroscopy suggests that in two of the portraits, one mixture of pigments used came from the same batch.

This scientific analysis is supported by an artistic one which shows, for example, a way of painting hands that is shared by all three pictures. At the very least, then, the portraits came from the same workshop. It seems most likely, though, that the same artist painted all of them.

These studies also reveal the extent of trade in the Roman empire. The paintings contain haematite and goethite from Keos, in the Aegean Sea, and red lead from Rio Tinto, in southern Spain. The lime-wood plaques on which the portraits are painted are from central Europe.

The painter was also a shrewd businessman; he mixed indigo and madder to replicate the effect of the period's most expensive pigment, Tyrian purple, which was extracted from sea snails and worth more than its weight in gold. Determining whether he told his customers of this economy is not, however, within the range of Dr Walton's instruments.

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The Romanov dynasty

Long they ruled

A cruel story of hereditary power

The Romanovs: 1613-1918. By Simon Sebag Montefiore. *Weidenfeld & Nicolson; 745 pages; £25. To be published in America by Knopf in May*

RULING Russia was not a tempting prospect in 1613, when the first Romanov reluctantly took the throne. Over the next three centuries the shrunken, war-torn principality of Muscovy became a colossal empire, though at a huge cost to the Romanovs' long-suffering subjects—and to the family itself, where the currencies of dynastic politics included murder, torture and betrayal (sexual and otherwise), as well as habitual cruelty.

Simon Sebag Montefiore's story starts with the miserable, melancholic Michael, dragged to the smouldering ruins of the Kremlin by feuding boyars who were desperate for unity in the face of defeat by mighty Poland. It features the greats: Peter, manically debauched, and Catherine, the "regicidal, uxoricidal German usurper"; and also dismal failures such as Alexander III, who ruled Russia as a "curmudgeonly landowner". It concludes with the pathetic Nicholas II, the last tsar, deposed and hurriedly murdered alongside his wife and children (pictured) by the Bolsheviks in 1918. His ill-starred reign was redeemed only by the "grace, patience, humour and dignity" which the doomed royal family showed in their captivity.

The system rested on the idea that only "an all-powerful individual blessed by God" had the clout (the author prefers "effulgent majesty") to run such a vast state, while also personifying the sacred mission of Orthodox Christianity. The key was delegation. Peter and Catherine, for all their whims and tyrannical ways, were superb at this: Catherine's favourite, Grigory Potemkin, was an outstandingly gifted administrator; Alexander Suvorov an equally impressive military commander. The other monarchs mostly tried to run Russia themselves, with results ranging from the indifferent to the disastrous.

The author's many fans will find much to please them. As with his previous books, notably on Stalin, Mr Sebag Montefiore, a British historical writer, has an eye for the telling detail which lifts an unfamiliar narrative. His mammoth history of Russia's royal dynasty features many such vivid, amusing and surprising particulars. Indeed it is startlingly lubricious and gory. The abundant mutilations, executions and other horriblenesses which the principal characters inflicted on each other and their subjects are described in nightmarish detail. In particular, the private passions of the Romanov court, preserved in letters and diaries, are on public parade. A fortuitously placed wart on the penis of the "mad monk" Rasputin, whose scandalous behaviour and bad advice helped bring about the dynasty's downfall, is cited as a possible reason for his success with aristocratic women.

Gore and sex aside, the author's pen produces reams of fluent, sometimes sparkling prose. Many of his reflections on the Romanov era apply well to Vladimir Putin's domains now: the "Russian pattern of behaviour", he writes, is "servility to those above, tyranny to those below." The Russian court was an entrepot of power: its role as a broker allowed participants to amass wealth and bonded them in shared loyalty. But it also allowed them to compete without resorting to civil war or revolution. That sounds pretty much like the modern Kremlin.

However, the complexity of the material is still daunting. Most readers will need to make full use of the family trees and cast lists placed helpfully at the start of each chapter. A great many names make very brief appearances. The colour illustrations help fix the main characters in the reader's mind; a few more maps might have helped illustrate the ebb and flow of nations.

The focus is tightly on the intrigues of the court, and on the Romanovs' role in European high politics. Economics, business, society and culture get only the skimpiest treatment. That is a pity. Alexander Etkind, an émigré historian, has argued that the root of Russia's misfortunes is its natural wealth, which encourages its rulers to plunder the country, like colonial masters, rather than develop it. Yet despite its mostly dreadful rulers, the vast land did begin to modernise. The tragedy is that the later Romanovs were too scared, and in Nicholas II's case also too out of touch, to start the reforms that could have saved them. That dilemma is as familiar as it is ancient. ■

Travails of a 19th-century feminist

Her truth marches on

The Civil Wars of Julia Ward Howe. A Biography. By Elaine Showalter. *Simon and Schuster; 243 pages; $28*

HISTORY remembers Julia Ward Howe as the author of perhaps the most stirring song America has ever produced. In 1861, at the dawn of the civil war, she awoke with the lyrics to the "Battle Hymn of the Republic" almost fully formed in her head. Every American schoolchild knows the opening: "Mine eyes have seen the glory..." The anthem was sung at Winston Churchill's funeral in 1965, at his request.

Yet Howe was far more than a shooting star across America's literary landscape, as Elaine Showalter makes clear in this delightful biography. She wrote poetry, plays and books, including an unfinished novel about an androgynous character who attracts the love of both men and women. Entitled "The Hermaphrodite" and written in the 1840s, it was vastly ahead of its time. Later, Howe emerged as a tireless speaker for feminist causes, notably women's right to vote. Her life intersected with Henry Wadsworth Longfellow, the Brownings, Louisa May Alcott and Henry James.

Howe's letters and journals may hold the greatest fascination. These recorded with astonishing frankness her often bitter relationship with her husband, Samuel, whom Julia called Chev. The chief source of tension was that he wanted her to concentrate on the family and not a career. "Chev's sourness of disposition becomes so dreadfully aggravated by any success of mine," she wrote to her sister Annie. The tension could also emerge in her poetry: "Between us the eternal silence reigneth / The calm and separation of the tomb." She published some of her writings behind his back.

Howe, who bore six children, felt suffocated by the enforced focus on family. Early on, she realised that Chev would stay away from her bed when she was breast-feeding, so she extended her nursing, which helped with birth control. She was, she wrote to her sister Louisa, in "a state of somnambulism, occupied principally with digestion, sleep and babies...God only knows what I have suffered from this stupor." Men, she complained, "think it glorification enough for a woman to be a wife and mother in any way, and upon any terms."

These are relatable sentiments, and the author wisely lets them carry the book. However, at times the account feels one-sided. Ms Showalter, a feminist literary critic and professor emeritus at Princeton University, relies heavily on Julia's perspective, leaving little room for her husband to make his case. Samuel plainly limited Julia, but he was also a committed abolitionist (as was Julia) and a strong if flawed advocate for the blind. Ms Showalter notes Chev's achievements and acknowledges that he had his defenders, yet still leaves the impression of a tyrant. Perhaps that is inevitable; marriage gripes did not flow prolifically from his pen.

The "Battle Hymn" itself, which Howe wrote to a tune that Union soldiers were already humming, occupies only a handful of pages. Crucially, however, "its renown gave her the power and the incentive to emancipate herself," Ms Showalter writes. Samuel died in 1876. Julia lived nearly 35 more years, finally able to embrace the cause of women's liberation in full. A decade after she died, and thanks in part to the suffrage groups she led, women were able to lay claim to the ballot box. ■

American Utopianism

Short-lived, much loved

Paradise Now: The Story of American Utopianism. By Chris Jennings. *Random House; 488 pages; $28*

UTOPIANISM in politics gets a bad press. The case against the grand-scale, state-directed kind is well known and overwhelming. Utopia, the perfect society, is unattainable, for there is no such thing. Remaking society in pursuit of an illusion not only fails, it leads swiftly to mass murder and moral ruin. So recent history grimly attests.

Although true, that is just half the story. Not all modern Utopians aim to seize the state in order to cudgel the rest of the world back to paradise. Plenty of gentler ones want no more than to withdraw from the mainstream and create their own micro-paradise with a few like-minded idealists. Small experiments in collective living swept America, for example, early in the 19th century and again late in the 20th.

Most failed or fell short. None lasted. All were laughed at. Yet in this intelligent, sympathetic history, Chris Jennings makes a good case for remembering them well. Politics stultifies, he thinks, when people stop dreaming up alternative ways of life and putting them to small-scale test.

Though with occasional glances forward, Mr Jennings focuses largely on the 19th century. At least 100 experimental communes sprang up across the young American republic in the mid-1800s. Mr Jennings writes about five exemplary communities: the devout Shakers, Robert Owen's New Harmony, the Fourierist collective at Brook Farm, Massachusetts, the Icarians at Nauvoo, Illinois, inspired by a French proto-communist, Etienne Cabet, and the Oneida Community in New York state practising "Bible communism" and "complex marriage".

The Shakers' founder was a Manchester Quaker, Ann Lee, a devout mother worn out by bearing dead or dying children. In 1774 she left for the New World, determined to forswear sex and create a following to share her belief. An optimistic faith in human betterment, hard work and a reputation for honest trading helped the Shakers thrive. At their peak in the early 19th century, they had perhaps 5,000 members scattered in some 20 villages across eight states. They counselled celibacy, to spare women the dangers of child-bearing, made spare, slim furniture, now treasured in museums, and practised a wild, shaking dance that was taken as a sign of benign possession by the Holy Spirit.

Robert Owen, a British mill-owner and reformer, treated private property, along ▸▸

Movers and Shakers

with organised religion and marriage, as a social scourge. In 1825 he bought land for a farm-and-factory commune in Indiana. It attracted farmers, artisans and intellectuals. Tools, food and housing were free. The commune had mixed-sex schools and a library. It sponsored scientific research. Without a shared faith or purpose, however, the members split into competing groups. By 1827, Owen's secular community had disbanded. The difficulty of pursuing micro-communism in a capitalist society also dogged Cabet's American followers. His New World Icarians split into several rival groupings. Shakers, Owenites and Icarians focused, each in their own way, on duties. They sought to tame human selfishness. Gloomy as he looked in portraits, the Frenchman Charles Fourier concentrated on fun. His writings inspired the Brook Farm commune near Boston and, less directly, Oneida. Fourier wanted to free people's instincts so that everyone, especially women, might lead a life of varied enjoyments and sensual delight. Stripped of emphasis on sex, Fourier's message that a good life was a cultivated life, not one of striving and work, appealed to New England intellectuals who formed Brook Farm's core.

"Paradise Now" is more than a record of failed hopes. Some ideas spread to the mainstream. Fourier's feminism is a good example. Fourierist communes foundered across the New World and Old; his ideas about gender equality lived on. No society could improve, Fourier believed, until women's lot improved. "The best countries", he wrote, "have always been those which allowed women the most freedom." That is a common thought today. It was radical when Fourier wrote it in 1808.

Women more generally are at the centre of the Utopian story. Some communes he writes about were democratic, some authoritarian. None was patriarchal. Mr Jennings's book is rich in fond hopes and improbable ventures. Rather than nudging readers to mock, which is easy, the author reminds them instead to remember that the maddest-sounding ideas sometimes become motherhood. ■

Syrian music

Songs of the city

Much is at risk in Aleppo, not least its traditional music

AS THE bombs rain down, it is hard to think of Aleppo in terms of anything other than bloodshed, terror, and destruction. But the massive collateral damage includes the *muwashshah*, a courtly song-form to which Syria's second city has been home for 800 years. The style is known as "Andalusian", because that is where it originated—Al-Andalus, Moorish Spain. In the 12th century *muwashshah*-singing spread eastward, putting down roots in north Africa and the eastern Mediterranean, with its farthest outpost in Yemen.

Wherever it settled, it took on local colour, but what it reflected was the unique Andalusian mix of Arab, Jewish, Christian and Berber influences. Its first and greatest celebrity was Ali Ibn Nafi, a charismatic black singer from Baghdad nicknamed Ziryab (Blackbird), court musician to the Emir Abd al-Rahman II in Cordoba. It became the fashion for rich patrons to maintain singing slave-girls whose refined artistry earned them rock-star fees and a life of luxury.

Love-poetry is the main subject-matter of *muwashshah* and it may have influenced the poetry of the Provencal troubadours. But whether in the classical Arabic or in the Hebrew style, that love was simultaneously both human and divine. The poem's typical setting would be a garden where a drinking party was served by a beautiful young cupbearer, but the love would be unrequited. The beloved would be unattainable; the lover would pine away for her (or him). No wonder this poetry and its music became the pabulum for Sufi gatherings, where this human-divine ambiguity was the keynote.

Until revolution erupted in 2011, Aleppo and Damascus were the focal points for this music's Syrian variant. The al-Kindi Ensemble—based in Paris, but with Syrian and Turkish musicians—was its highest-profile exponent. In its most recent CD, "Le Salon de Musique d'Alep", al-Kindi skilfully evokes the atmosphere of this music, and the circumstances in which it was performed in Aleppo. Choral *muwashshah* are interwoven with instrumental and solo vocal improvisations to create the complex suites of music that are traditional in the Middle East, with a mood that is by turns exuberant and ecstatically devotional.

The Syrian National Symphony Orchestra still gives occasional concerts of Beethoven and Brahms in Damascus; Western classical music has its own momentum. But when the bombs cease to fall on Aleppo, what will be left of its intimate traditional music? Without the continuity which has nurtured it in the heart of the old city, that music—like so much else in Syria's traditional culture—is threatened with extinction.

Damascus

Love story

Damascus Diaries: Life Under the Assads. By Peter Clark. *Gilgamesh; 393 pages; £12.50*

My House in Damascus: An Inside View of the Syrian Crisis. By Diana Darke. *Haus; 282 pages; £9.99*

WHAT is being lost as Syria bleeds? Not just lives, but a tradition of pluralism and tolerance, all too rare in the Middle East, and a rich cultural treasure-house. That is the message of these two very personal books by Britons who have lived in Syria and fallen in love with it.

Peter Clark ran the British Council in Damascus for five years in the 1990s. His diaries—quirky, digressive, indiscreet—chronicle his attempts to build cultural relations in a police state filled with fear, corruption and red tape. Even friendly officials are wary of the ruling Baath party.

When he starts English classes, they are infiltrated by the secret police. He persists, organising an exhibition of photographs of Syria by Freya Stark, a travel writer, in the 1920s and 1930s—and then, more ambitiously, an Anglo-Syrian production of Purcell's opera "Dido and Aeneas", which, against all odds, is a great success. In the midst of all this, he somehow finds time to translate a novel by Ulfat Idilbi, a spry old Syrian feminist in her 80s.

There are political insights into the persecution complex of the Alawites, the heterodox religious minority, historically poor and marginalised, which has come to dominate the ruling civil and military elite. There is a chilling encounter with the presi-

dent, Hafez al-Assad, whose "cold grey eyes" seemed to "look into your soul". But the principal characters are the author's Syrian friends—the writers, lawyers, bank managers and university professors with whom he eats, drinks, dances and gossips. He relishes the odd details of Syrian life: the old khan (or caravanserai) that used to be a lunatic asylum, the tea Syrian migrants have brought back from Argentina, the delightful word *gommaji* (an amalgam of Italian and Turkish), meaning a man who repairs punctures.

Diana Darke's book is set in the Syria of Bashar al-Assad, who succeeded his father in 2000. Ms Darke is a journalist and travel writer, and much of her early time in Syria was spent walking its hills and exploring its mosques, churches, monasteries and fortresses. But in 2005 she took the bold decision to use her life's savings to buy an 18th-century Ottoman house in the Old City of Damascus. Her book, now in an enlarged third edition, tells the remarkable story of how she did so, despite a succession of legal and bureaucratic obstacles, and the onset of civil war.

As with Mr Clark and his opera production, Ms Darke's British and Syrian friends thought she was mad. Like him, she persevered. Interwoven with the story of how she renovated the house are asides on an array of issues—education, women's rights, Islamic art—and on the Assads, whose regime she clearly detests. When the war forced her to leave, she turned the house into a refuge for Syrian friends escaping the violence.

Both authors cling to the hope that Syria with its mosaic of communities and traditions, and its unique history and archaeology, will somehow rebuild itself. In the meantime their books serve as moving tributes to the Syria that has been lost. ■

Elisabeth Vigée Le Brun at the Metropolitan Museum

Woman of the world

NEW YORK

An overdue tribute to an exceptional painter

SOME artists never live to enjoy acclaim. Vincent Van Gogh died in obscurity, having sold only one painting. Elisabeth Vigée Le Brun, a French portraitist working in the decades before and after the French revolution, had the opposite problem. For much of her life she was celebrated and sought out by the rich around Europe; she charged such high fees that few could afford her. Her contemporary, Jacques-Louis David, praised one of her paintings as better than his own. However, after her death in 1842 at the age of 86, she began to be overlooked. Only one previous show in America, at the Kimbell Art Museum in Fort Worth in 1982, has paid tribute to her evocative, graceful artistry.

Le Brun is now being given her due. A new show of her work has travelled from the Grand Palais in Paris to the Metropolitan Museum of Art in New York, and will make its final stop at the National Gallery of Canada in Ottawa. The exhibition offers two parallel narratives. One is the evolution of Le Brun's stellar career, which was launched after she began painting France's queen, Marie Antoinette, when they were both 23. The other is the turmoil of French politics, which changed dramatically over the course of the artist's long life. The revolution of 1789 caused an exodus among the country's nobility. Le Brun painted many of them when they were in exile abroad. Her paintings, imbued with lightness and luxury before the revolution, took on a subtly sober tone in the years afterwards.


The look of love

Rarely is one afforded such an intimate view into the life of the rich in pre-revolutionary France, but Le Brun's luscious paintings suggest how good the living was. She became expert at rendering fur, silk, ribbons and lace. The daughter of a hairdresser and a minor portraitist, Le Brun received no formal art training, but her innate talent helped her stand out early on, as did the support of the queen, who intervened on her behalf to make sure she would be accepted to the exclusive Royal Academy. Membership was capped at four women at a time; in its 150 years, just 15 women were admitted to the Academy, compared with 550 men.

A life-size portrait of Marie Antoinette is on loan from Versailles, the first time it has travelled outside France. Although Le Brun made her name painting the queen, these stately works can feel more stiff than her others. A better picture is of Charles Alexandre de Calonne, the finance minister, who sits on a red chair, holding a letter marked "for the king". The exhibition suggests how small the world of the French ruling class was during this period. Calonne's portrait is placed next to one of the Countess du Barry de Cérès, his lover.

When the revolution broke out, Le Brun worried that her relations with the monarchy would put her in danger and sought refuge in Italy. Leaving was an astute choice. One of her contemporaries, Adélaïde Labille-Guiard, stayed in France but received no commissions and had one of her best paintings destroyed. "Most artists lost a decade of work that they could have done because of the revolution," says Katharine Baetjer, a curator at the Met. However, Le Brun remade her career several times while abroad, painting the nobility in Italy, Austria and the Russian empire. She was beautiful, socially gifted and an astute businesswoman. Few artists had such a global career and managed to overcome the sexism that hampered women's artistic rise.

Seeing Le Brun's work assembled, it is clear that her early work was her best. She is gifted at painting children, including her daughter, Julie (pictured), to whom she was very close until their relationship shattered in adulthood. Her Russian paintings lack the subtle, introspective humanity of her portraits in France and Italy; many boast dramatic landscape backdrops and mythological elements. The most interesting work of her later years is a self-portrait, shorn of the frills and beauty of her youth. The contrast between it and an earlier, ebullient self-portrait she painted in 1789 for the Uffizi Gallery in Florence is striking. She had thought then that she might soon return to France, but it would be 20 years before she did.

In all, Le Brun produced around 600 paintings. The Met has about 70 on display; it is half the size of the show at the Grand Palais. This is partly because there are no pictures in the exhibition from Russian museums as a result of a long-standing legal dispute that has raised fears that any loans to America may be seized. But the Met also felt that a new and perhaps untutored audience would have the patience only for a smaller, more tailored show. Those seeing Le Brun's work for the first time will be impressed by her skill and sensibility and wonder why they have not met her sooner. ■

Deputy Governor for Prudential Regulation (Bank of England)

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The Deputy Governor for Prudential Regulation is the Chief Executive of the Prudential Regulation Authority (PRA), and sits on the board of the PRA alongside the Governor (who chairs the PRA), the Deputy Governor for Financial Stability, the Chief Executive of the Financial Conduct Authority (FCA) and other members appointed by the Bank with the approval of HM Treasury.

Under the Bank of England and Financial Services Bill, the new Prudential Regulation Committee (PRC) will additionally include the Bank's Deputy Governor for Markets and Banking and will make the Chancellor responsible for the appointment of most other members. The Deputy Governor for Prudential Regulation will continue to be the Chief Executive of the PRA and will have several of his/her roles, including preparing the prudential regulation strategy and the day to day management of the PRA, written into statute.

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The appointment will commence on or before 1 July 2016.

To download an application pack, please visit www.publicappointments.cabinetoffice.gov.uk

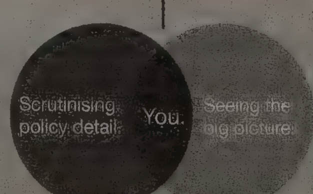
Alternatively, for a hard copy please contact Derek.Dunne@hmtreasury.gsi.gov.uk or 020 7270 4358 or Azin.Pourghazi@hmtreasury.gsi.gov.uk 020 7270 4360.

Braille, taped or large print versions available on request.

The closing date for all applications is 5pm on 4 March 2016.

The Bank of England is committed to ensuring it has a truly diverse workforce. All disabled applicants will be guaranteed an interview, provided they meet the minimum criteria for the post, and inform the recruiting manager of their eligibility in their covering letter.

HM Treasury



Courses

REDEVELOPMENT OF THE ACCRA INTERNATIONAL TRADE FAIR CENTRE

REQUEST FOR EXPRESSION OF INTEREST

The Government of Ghana (GoG) has the objective to redevelop the Accra International Trade Fair Centre (the "Trade Fair Centre") into a world class real estate complex, comprising ultra-modern exhibition halls, facilities for conventions, expos and trade fairs, hotel(s), cinemas, shopping mall(s), residences, offices, and other ultra-modern amenities. GoG is therefore looking to partner with a leading international real estate development company to facilitate the achievement of its objective.

GoG, acting through the Ministry of Trade and Industry (MOTI), has appointed a team of consultants led by PricewaterhouseCoopers (Ghana) Limited (PwC) to provide advisory services with regards to the redevelopment of the Trade Fair Centre. PwC's scope of work includes running a competitive international tender to select the best partner to assist GoG achieve its objective.

GoG is inviting prospective real estate development companies to submit an Expression of Interest ("EoI") to work with GoG to redevelop the Trade Fair Centre, which occupies over 100 acres of prime land in Accra, Ghana's capital city. The expression of interest should demonstrate the following, among others:

- The financial strength of the prospective partner
- Evidence of the prospective partner's technical strength in areas of designing, building and managing international mixed-use real estate facilities
- The prospective partner's capacity to manage any potential social and environmental impact of the redevelopment, as well commitment to integrate the Trade Fair Centre into the community
- Plans of the prospective partner to make use of the redeveloped Trade Fair Centre to promote trade in Ghana

The deadline for the submission of the EoI is **Friday, 11th March 2016 at 4pm GMT.**

Expressions of Interest should be marked **CONFIDENTIAL – TRADE FAIR PROJECT** and addressed to:

THE CHIEF DIRECTOR
MINISTRY OF TRADE AND INDUSTRY
PMB 47
MINISTRIES, ACCRA, GHANA

ATTN: DAWARNOBA BAEKA
EMAIL: motichief@yahoo.com

For enquiries, please contact **Thomas Kyei-Boateng (email: thomas.kyei-boateng@gh.pwc.com)** at the PricewaterhouseCoopers (Ghana) Limited (PwC) office at No. 12 Airport City, Una Home, 3rd Floor, Airport City, Accra or PMB CT 42, Cantonments, Accra.

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SPECIFIC PROCUREMENT NOTICE

Invitation for Pre-qualification

RURAL ELECTRIFICATION AGENCY
"The Peoples Electricity Link"

Country: **Republic of Uganda**

Project Name: **Grid Rural Electrification Project**

Title and Brief Description of Works: **Construction of Medium Voltage and Low Voltage Networks in Various Regions of Uganda**

Project No.: **UGA099**

Procurement Reference No.: **REA-IDBIII/WRKS/15-16/00253**

This invitation for pre-qualification follows the General Procurement Notice for this project that appeared in *the New Vision of Thursday, March 19, 2015 and The Economist of Saturday, March 21, 2015.*

The Government of the Republic of Uganda has received Financing from the Islamic Development Bank (IDB) towards the cost of implementation of the *Grid Rural Electrification Project*, and it intends to apply part of the proceeds of this financing to payments under the contract the construction of Medium Voltage networks and Low Voltage reticulation networks as tabulated below:-

Lot	Project Details	MV total length (km)	LV Total Length (km)	Number of Transformers
1	Lot 1: Western (Rukungiri, Kabarole, Sheema, Kibale, Kamwenge, Mitooma, Mbarara, Kiruhura, Kisoro, & Kabale)	130.45	43.00	65
2	Lot 2: Northern (Napak, Nakapiripirit, Amolatar, Lira, Arua, Paidha, Agago, Pader, Abim, & Dokolo)	117.51	72.10	77
3	Lot 3: Central A (Mukono, Kayunga, Buikwe, & Wakiso)	234.30	144.90	164
4	Lot 4: Central B (Wakiso, Lwengo, Masaka, Mpigi, Bukomansimbi, Kalungu, Rakai, & Lyantonde)	235.28	100.90	102
5	Lot 5: Central C (Nakaseke, Mityana, Mubende, Luwero, Nakasongola, Kiboga, Kyankwanzi, & Kyegegwa)	278.58	128.20	152
6	Lot 6: Eastern (Tororo, Pallisa, Mbale, Manafwa, Budaka, Jinja, Kween, Iganga, Kamuli, Luuka, Kumi, & Kapchorwa)	110.12	188.77	123
		1,106.24	**677.87**	**728**

The Rural Electrification Agency intends to pre-qualify contractors and/or firms for *detailed engineering design, procurement, construction and commissioning of Medium Voltage (33kV and 11kV) lines, installation of distribution transformers of various capacities (25kVA, 50kVA, 100kVA, 200kVA, 315kVA, 500kVA) and the installation of the associated Low Voltage lines (415V and 214V).*

Pre-qualification will be conducted through pre-qualification procedures specified in the Islamic Development Bank's Guidelines for Procurement of Goods and Works, May 2009 and is open to all bidders from eligible source countries, as defined in the guidelines.

Interested eligible Applicants may obtain further information from and inspect the pre-qualification document at the *Rural Electrification Agency Offices* (address below) from *09:00 Hours to 17:00 Hours (Local Time)*. A complete set of the pre-qualification document in *English* may be purchased by interested Applicants upon submission of a written application to the address below and upon payment of a non-refundable fee of UGX 500,000 (Uganda Shillings Five Hundred Thousand) only. The method of payment will be by cash to the Rural Electrification Agency's accounts office and an official receipt issued. The document will be issued from the Agency's Procurement & Disposal Unit.

A Pre-Application Meeting will be held at the Rural Electrification Agency Offices, Boardroom on **18th March, 2016 at 10:00 a.m. (Local Time).**

Applications for pre-qualification should be submitted in sealed envelopes, delivered to the address below by **20th April, 2016 at or before 11:00 a.m. (Local Time)**, and be clearly marked *"Application to Prequalify for Grid Rural Electrification Project"*.

Rural Electrification Agency
Attn: Head Procurement & Disposal Unit
2nd Floor House of Hope, Plot 10 Windsor Loop, Kololo
P. O. Box 7317
Kampala – Uganda

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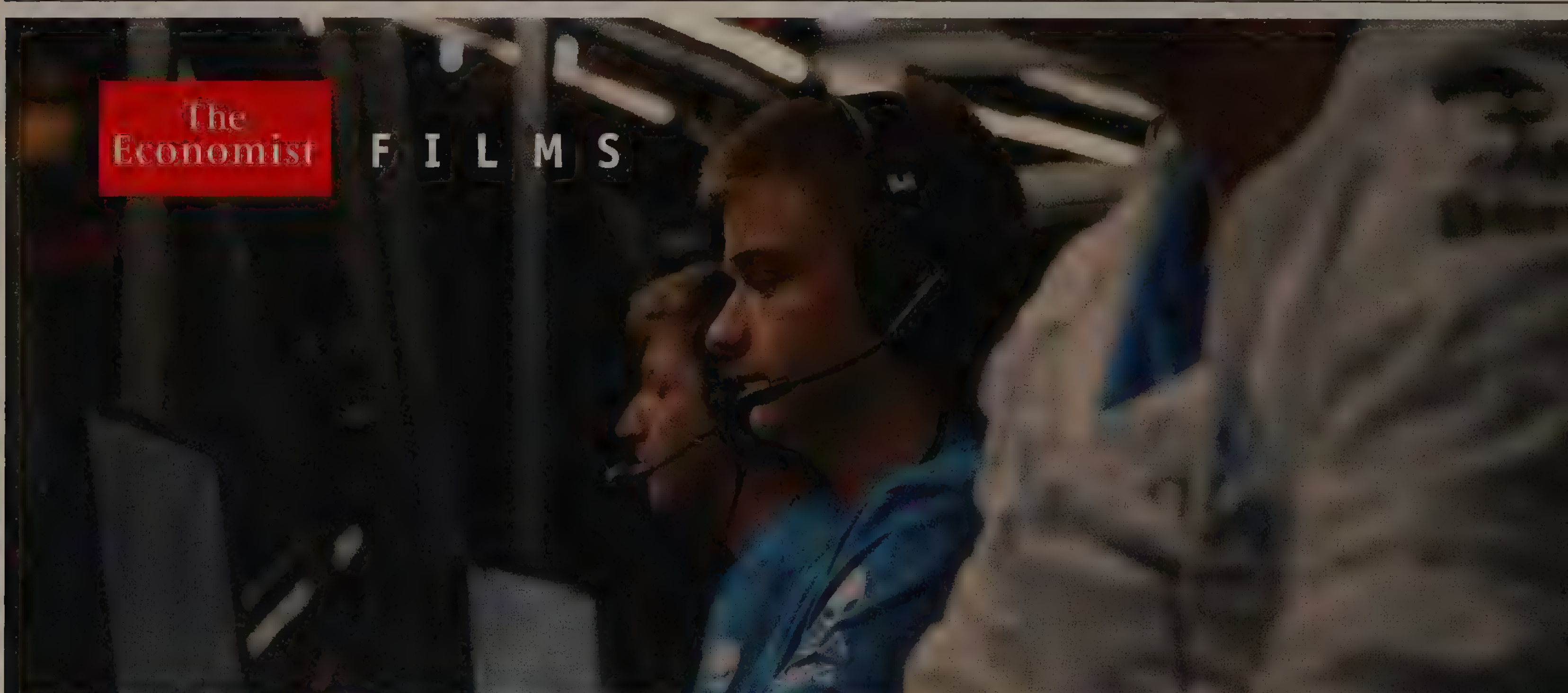
Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment rate, %	Current-account balance		Budget balance	Interest rates, %	Currency units, per $	
	latest	qtr*	2015†	latest	latest	2015†		latest 12 months, $bn	% of GDP 2015†	% of GDP 2015†	10-year gov't bonds, latest	Feb 17th	year ago
United States	+1.8 Q4	+0.7	+2.4	-0.7 Jan	+0.7 Dec	+0.1	4.9 Jan	-456.6 Q3	-2.5	-2.6	1.78	-	-
China	+6.8 Q4	+6.6	+6.9	+5.9 Dec	+1.8 Jan	+1.5	4.1 Q4§	+293.2 Q4	+3.0	-2.7	2.70§§	6.53	6.26
Japan	+0.5 Q4	-1.4	+0.6	-1.9 Dec	+0.2 Dec	+0.7	3.3 Dec	+137.5 Dec	+2.8	-6.8	0.05	114	119
Britain	+1.9 Q4	+2.0	+2.2	-0.3 Dec	+0.3 Jan	nil	5.1 Nov††	-134.2 Q3	-4.3	-4.4	1.49	0.70	0.65
Canada	+1.2 Q3	+2.3	+1.2	-3.3 Nov	+1.6 Dec	+1.2	7.2 Jan	-54.1 Q3	-3.2	-1.8	1.18	1.37	1.24
Euro area	+1.5 Q4	+1.1	+1.5	-1.3 Dec	+0.4 Jan	nil	10.4 Dec	+346.9 Nov	+3.0	-2.1	0.27	0.90	0.88
Austria	+1.0 Q3	+1.9	+0.8	+2.6 Nov	+1.0 Dec	+0.9	5.8 Dec	+10.7 Q3	+2.2	-2.1	0.62	0.90	0.88
Belgium	+1.3 Q4	+1.2	+1.3	+1.4 Nov	+1.7 Jan	+0.6	7.9 Dec	+1.1 Sep	+0.2	-2.6	0.72	0.90	0.88
France	+1.3 Q4	+1.0	+1.1	-0.7 Dec	+0.2 Jan	+0.1	10.2 Dec	-3.3 Dec‡	-0.2	-4.1	0.66	0.90	0.88
Germany	+1.3 Q4	+1.1	+1.5	-2.3 Dec	+0.5 Jan	+0.1	6.2 Jan	+275.6 Dec	+8.0	+0.7	0.27	0.90	0.88
Greece	-2.0 Q4	-2.2	+0.5	+5.6 Dec	-0.7 Jan	-1.1	24.6 Nov	-1.1 Nov	+2.5	-4.1	11.19	0.90	0.88
Italy	+1.0 Q4	+0.4	+0.7	-1.0 Dec	+0.3 Jan	+0.1	11.4 Dec	+39.3 Nov	+1.9	-2.9	1.60	0.90	0.88
Netherlands	+1.6 Q4	+1.0	+2.0	+2.4 Dec	+0.6 Jan	+0.3	8.2 Dec	+74.8 Q3	+10.4	-1.8	0.41	0.90	0.88
Spain	+3.5 Q4	+3.2	+3.2	+2.9 Dec	-0.3 Jan	-0.6	20.8 Dec	+18.6 Nov	+1.1	-4.4	1.84	0.90	0.88
Czech Republic	+4.1 Q3	-0.4	+3.4	+0.7 Dec	+0.6 Jan	+0.3	6.4 Jan§	+2.0 Q3	-0.1	-1.8	0.47	24.3	24.2
Denmark	+0.6 Q3	-1.8	+1.4	-0.8 Dec	+0.6 Jan	+0.5	4.5 Dec	+20.4 Dec	+7.1	-2.9	0.61	6.70	6.53
Norway	+0.1 Q4	-4.7	+0.7	-0.7 Dec	+3.0 Jan	+1.7	4.6 Nov‡‡	+37.3 Q3	+9.3	+5.9	1.44	8.59	7.54
Poland	+3.5 Q3	+4.5	+3.4	+1.4 Jan	-0.7 Jan	nil	9.8 Dec§	-0.9 Dec	-1.4	-1.5	3.02	3.94	3.67
Russia	-4.1 Q3	na	-3.8	-2.6 Jan	+9.8 Jan	+15.4	5.8 Dec§	+65.8 Q4	+4.4	-2.8	10.08	75.3	63.2
Sweden	+3.9 Q3	+3.4	+3.3	+0.3 Dec	+0.1 Dec	nil	6.7 Dec§	+31.8 Q3	+6.3	-1.2	0.82	8.53	8.34
Switzerland	+0.8 Q3	-0.1	+0.8	-2.8 Q3	-1.3 Jan	-1.1	3.4 Jan	+84.1 Q3	+9.2	+0.2	-0.35	0.99	0.93
Turkey	+4.0 Q3	na	+3.4	+4.4 Dec	+9.6 Jan	+7.3	10.5 Nov§	-32.2 Dec	-4.7	-1.6	10.88	2.95	2.45
Australia	+2.5 Q3	+3.8	+2.3	+1.9 Q3	+1.7 Q4	+1.5	6.0 Jan	-49.5 Q3	-4.3	-2.4	2.48	1.39	1.28
Hong Kong	+2.3 Q3	+3.5	+2.4	-2.0 Q3	+2.4 Dec	+3.1	3.3 Dec‡‡	+9.3 Q3	+2.8	nil	1.45	7.79	7.76
India	+7.3 Q4	+4.4	+7.2	-1.3 Dec	+5.7 Jan	+4.9	4.9 2013	-22.7 Q3	-1.1	-3.8	7.79	68.4	62.2
Indonesia	+5.0 Q4	na	+4.7	+1.0 Dec	+4.1 Jan	+6.4	6.2 Q3§	-17.8 Q4	-2.5	-2.0	7.93	13,510	12,770
Malaysia	+4.5 Q4	na	+5.4	+2.7 Dec	+2.7 Dec	+2.5	3.3 Dec§	+8.7 Q4	+2.5	-4.0	3.92	4.22	3.59
Pakistan	+5.5 2015**	na	+5.7	+2.3 Dec	+3.3 Jan	+3.9	5.9 2015	-1.4 Q4	-0.7	-5.1	9.01†††	105	102
Philippines	+6.3 Q4	+8.2	+6.4	+4.9 Dec	+1.3 Jan	+2.4	5.6 Q4§	+9.6 Sep	+4.1	-1.9	3.90	47.7	44.3
Singapore	+2.0 Q4	+5.7	+2.9	-7.9 Dec	-0.6 Dec	+0.2	1.9 Q4	+68.6 Q3	+21.2	-0.7	2.23	1.41	1.36
South Korea	+3.0 Q4	+2.3	+2.6	-1.9 Dec	+0.8 Jan	+0.7	3.7 Jan§	+106.0 Dec	+7.1	+0.3	1.79	1,227	1,102
Taiwan	-0.5 Q4	+2.2	+3.2	-6.2 Dec	+0.8 Jan	+0.1	3.9 Dec	+77.2 Q3	+12.8	-1.0	0.87	33.3	31.5
Thailand	+2.8 Q4	+3.2	+3.4	+1.3 Dec	-0.5 Jan	+0.8	0.7 Dec§	+32.1 Q3	+2.4	-2.0	2.14	35.6	32.6
Argentina	+2.3 Q2	+2.0	+1.0	-2.5 Oct	— ***	—	5.9 Q3§	-8.3 Q2	-2.2	-3.6	na	14.9	8.68
Brazil	-4.5 Q3	-6.7	-3.7	-11.9 Dec	+10.7 Jan	+9.5	6.9 Dec§	-58.9 Dec	-3.6	-6.0	15.91	3.98	2.83
Chile	+2.2 Q3	+1.8	+2.8	-3.3 Dec	+4.8 Jan	+3.9	5.8 Dec§‡‡	-2.7 Q3	-1.2	-2.2	4.44	701	621
Colombia	+3.2 Q3	+5.1	+3.3	+3.9 Dec	+7.5 Jan	+4.2	8.6 Dec§	-20.8 Q3	-6.7	-2.1	8.95	3,380	2,422
Mexico	+2.6 Q3	+3.0	+2.4	nil Dec	+2.6 Jan	+2.7	4.4 Dec	-29.9 Q3	-2.6	-3.4	6.09	18.4	14.9
Venezuela	-7.1 Q3~	-4.9	-4.5	na	na	+84.1	6.0 Dec§	-17.8 Q3~	-1.8	-16.5	10.98	6.31	6.29
Egypt	+3.0 Q3	na	+4.2	-10.2 Nov	+10.1 Jan	+10.0	12.8 Q4§	-14.7 Q3	-1.4	-11.0	na	7.83	7.63
Israel	+2.7 Q4	+3.3	+3.3	+2.7 Nov	-0.6 Jan	-0.2	5.2 Dec	+12.5 Q3	+4.9	-2.8	1.84	3.90	3.87
Saudi Arabia	+3.4 2015	na	+2.7	na	+3.6 Jan	+2.7	5.7 2014	-35.1 Q3	-2.7	-12.7	na	3.75	3.75
South Africa	+1.0 Q3	+0.7	+1.3	-0.5 Dec	+6.2 Jan	+4.6	25.5 Q3§	-14.0 Q3	-4.2	-3.8	9.11	15.5	11.7

Source: Haver Analytics. *% change on previous quarter, annual rate. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. ~2014 **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. ***Official number not yet proven to be reliable; The State Street PriceStats Inflation Index, December 26.85%; year ago 38.48% †††Dollar-denominated bonds.



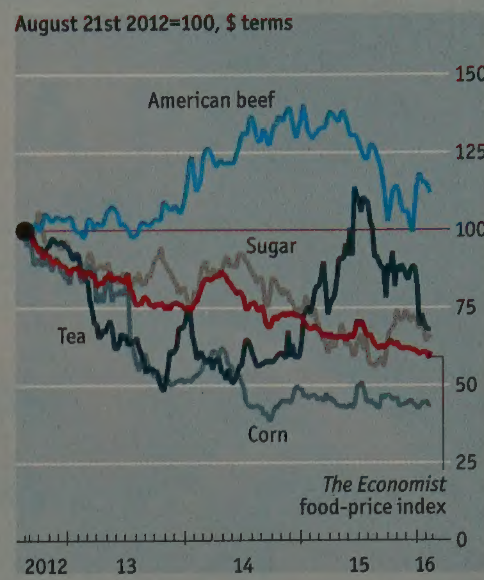
Markets

	Index Feb 17th	% change on one week	% change on Dec 31st 2015 in local currency	% change on Dec 31st 2015 in $ terms
United States (DJIA)	16,453.8	+3.4	-5.6	-5.6
China (SSEA)	3,000.6	+3.8	-19.0	-19.4
Japan (Nikkei 225)	15,836.4	+0.8	-16.8	-12.4
Britain (FTSE 100)	6,030.3	+6.3	-3.4	-6.2
Canada (S&P TSX)	12,867.2	+5.6	-1.1	+0.3
Euro area (FTSE Euro 100)	976.4	+3.9	-10.8	-8.6
Euro area (EURO STOXX 50)	2,897.7	+3.9	-11.3	-9.1
Austria (ATX)	2,162.8	+8.1	-9.8	-7.5
Belgium (Bel 20)	3,376.3	+4.9	-8.8	-6.5
France (CAC 40)	4,233.5	+4.2	-8.7	-6.4
Germany (DAX)*	9,377.2	+4.0	-12.7	-10.5
Greece (Athex Comp)	495.1	+10.2	-21.6	-19.6
Italy (FTSE/MIB)	17,377.9	+4.0	-18.9	-16.8
Netherlands (AEX)	414.8	+5.1	-6.1	-3.8
Spain (Madrid SE)	845.5	+2.8	-12.4	-10.2
Czech Republic (PX)	877.6	+1.6	-8.2	-6.0
Denmark (OMXCB)	819.6	+4.9	-9.6	-7.4
Hungary (BUX)	22,846.8	-0.2	-4.5	nil
Norway (OSEAX)	596.2	+4.4	-8.1	-5.3
Poland (WIG)	45,639.6	+4.1	-1.8	-1.6
Russia (RTS, $ terms)	735.8	+5.6	+0.2	-2.8
Sweden (OMXS30)	1,374.3	+5.9	-5.0	-6.1
Switzerland (SMI)	7,946.2	+2.8	-9.9	-9.2
Turkey (BIST)	72,805.1	+1.7	+1.5	+0.6
Australia (All Ord.)	4,938.4	+2.3	-7.6	-8.8
Hong Kong (Hang Seng)	18,924.6	-1.9	-13.6	-14.1
India (BSE)	23,381.9	-1.6	-10.5	-13.4
Indonesia (JSX)	4,765.5	+0.7	+3.8	+5.9
Malaysia (KLSE)	1,664.3	+1.2	-1.7	+0.1
Pakistan (KSE)	31,469.7	-2.1	-4.1	-4.1
Singapore (STI)	2,613.8	+1.2	-9.3	-8.5
South Korea (KOSPI)	1,883.9	-1.8	-3.9	-8.2
Taiwan (TWI)	8,214.3	+1.9	-1.5	-2.8
Thailand (SET)	1,288.5	-1.2	nil	+1.0
Argentina (MERV)	12,059.0	+6.3	+3.3	-10.5
Brazil (BVSP)	41,630.8	+3.1	-4.0	-4.6
Chile (IGPA)	18,339.4	+1.5	+1.0	+2.1
Colombia (IGBC)	9,023.7	+3.3	+5.6	-0.9
Mexico (IPC)	43,585.2	+2.5	+1.4	-4.7
Venezuela (IBC)	15,590.4	+6.9	+6.9	na
Egypt (Case 30)	5,947.7	-1.9	-15.1	-15.1
Israel (TA-100)	1,229.5	+1.2	-6.5	-6.6
Saudi Arabia (Tadawul)	5,801.7	-0.5	-16.1	-16.0
South Africa (JSE AS)	50,039.3	+3.7	-1.3	-1.3

Food prices

Food prices have tumbled by 40% from their peak in the summer of 2012, according to *The Economist*'s commodity-price index. Agriculture is an energy-intensive sector, and since 2014 the plunging oil price has reduced input costs. Although the price of sugar recovered briefly last autumn, years of oversupply have taken their toll. The weak Brazilian real has encouraged exporters in the world's largest producer to increase their dollar-denominated sales. Small herd numbers explain the healthy price of American beef: 2014 saw the lowest cattle inventory since the 1950s. But prices may have peaked; cheap corn will help increase supply. Hailstorms in Kenya explain the spike in tea prices.

August 21st 2012=100, $ terms



Source: *The Economist*

Other markets

	Index Feb 17th	% change on one week	% change on Dec 31st 2015 in local currency	% change on Dec 31st 2015 in $ terms
United States (S&P 500)	1,926.8	+4.0	-5.7	-5.7
United States (NAScomp)	4,534.1	+5.8	-9.5	-9.5
China (SSEB, $ terms)	360.4	+1.7	-15.1	-15.5
Japan (Topix)	1,282.4	+1.4	-17.1	-12.8
Europe (FTSEurofirst 300)	1,295.7	+4.4	-9.9	-7.6
World, dev'd (MSCI)	1,544.3	+3.9	-7.1	-7.1
Emerging markets (MSCI)	735.8	+0.7	-7.3	-7.3
World, all (MSCI)	370.8	+3.6	-7.1	-7.1
World bonds (Citigroup)	905.2	-0.5	+4.0	+4.0
EMBI+ (JPMorgan)	712.5	+1.1	+1.2	+1.2
Hedge funds (HFRX)	1,125.1§	+0.2	-4.2	-4.2
Volatility, US (VIX)	22.3	+26.3	+18.2	(levels)
CDSs, Eur (iTRAXX)†	108.2	-7.6	+40.3	+43.8
CDSs, N Am (CDX)†	117.4	-3.3	+32.9	+32.9
Carbon trading (EU ETS) €	5.1	+7.8	-38.5	-36.9

Sources: Markit; Thomson Reuters. *Total return index. †Credit-default-swap spreads, basis points. §Feb 16th.

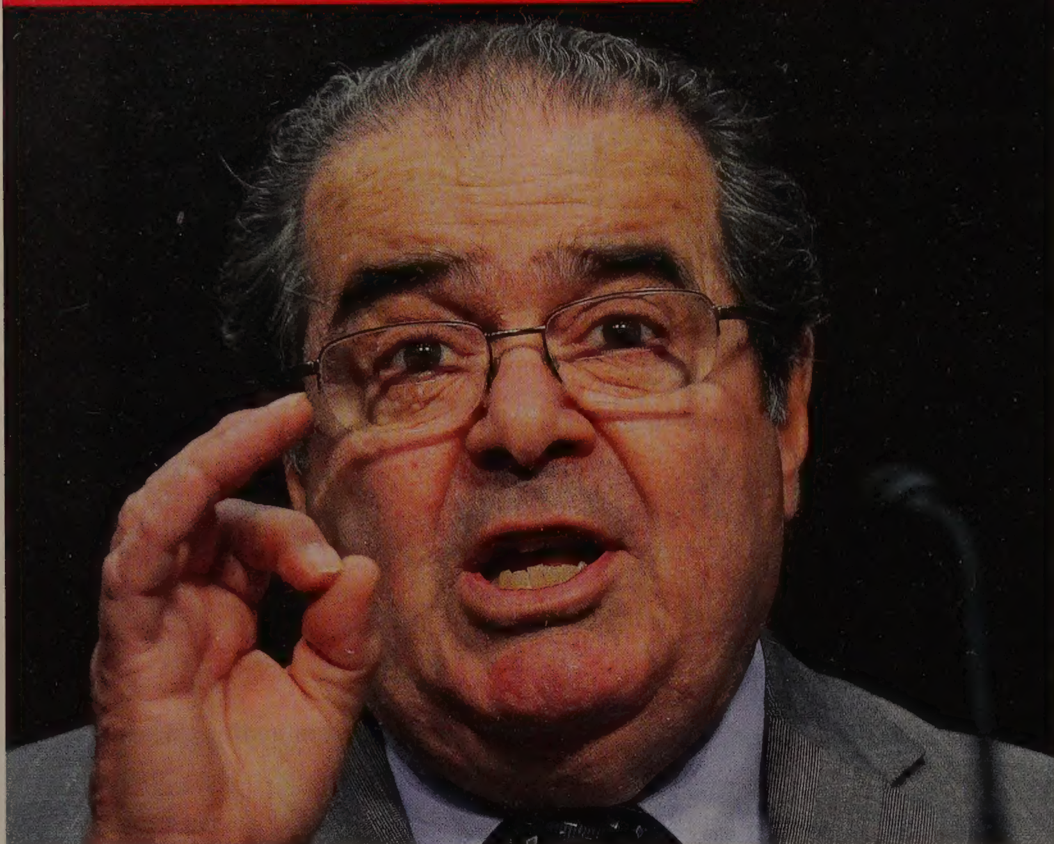
Indicators for more countries and additional series, go to: **Economist.com/indicators**

The Economist commodity-price index

2005=100

	Feb 9th	Feb 16th*	% change on one month	% change on one year
Dollar Index				
All Items	124.1	125.2	+1.2	-14.5
Food	144.3	145.8	+0.2	-12.6
Industrials				
All	103.1	103.8	+2.8	-17.2
Nfa†	107.0	106.8	+0.2	-12.6
Metals	101.4	102.5	+4.0	-19.1
Sterling Index				
All items	155.8	159.1	+0.1	-8.4
Euro Index				
All items	136.4	139.7	-1.0	-12.6
Gold				
$ per oz	1,193.1	1,215.4	+11.9	+0.7
West Texas Intermediate				
$ per barrel	28.3	29.2	+2.8	-45.5

Sources: Bloomberg; CME Group; Cotlook; Darmenn & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional †Non-food agriculturals.



Always right

Antonin Scalia, Supreme Court justice, died on February 13th, aged 79

IF YOU were bold enough to ask Antonin Scalia questions, you had to be precise. Otherwise the bushy black brows would furrow, the chin would crumple and the pudgy, puckish body would start to rock, eager to get at you. Wasn't he violently opposed to *Roe v Wade*, the abortion ruling? "*Adamantly* opposed, that's better." Did he have any guilty pleasures? "How can it be pleasurable, if it's guilty?" Lesser lawyers who were vague in oral argument faced a barrage of sarcasm or, if he agreed with them, constant chiding to do better. ("*That's* your strong point!") Dissenting colleagues at the Supreme Court had their opinions described as "argle-bargle", "jiggery pokery" and "pure applesauce".

Words had meaning. He revered them and used them scrupulously, even in insult. The law was written in words, and those ideally laid down bright lines for everyone to follow. As a committed textualist, he wasted no time looking to legislative history, the purported purpose of a law or the comments of some egregious congressman. It meant what it said.

As for America's constitution, speaking as the court's originalist-in-chief, all that mattered was what its words meant when it was framed. He was in love with it; he was in awe of the men who wrote it; the late 18th century was a time when genius burst forth on the eastern seaboard, as it had in Periclean Athens. But for him the founding document was not "living", not some organism endlessly adaptable to society, as Justice William Brennan, a distressingly liberal predecessor, used to think. It couldn't be found suddenly to contain newfangled "rights" to privacy, as in *Roe*. It was dead! Dead! (Or perhaps, to be more tender and precise, "enduring".) Its business was to block change, not advance it, and if it thereby obstructed something he himself, as a *very* conservative fellow, disliked, so much the better. Death-penalty cases he dismissed in minutes: the penalty was clearly constitutional. Church-and-state cases took no longer: the Framers had built no wall between them, and anyway, didn't government get its authority from God? He would go home, to a Martini and a large dinner, and sleep like a baby.

The beloved document, however, never promised perfect outcomes. In 1989 he found himself ruling (joining Brennan!) that it didn't stop sandal-wearing bearded weirdos burning the American flag. (Personally, he would have clapped them all in jail; he longed to mark his opinion loudly with a rubber stamp, "Stupid but Constitutional!") In several cases the constitution enhanced, rather than curbed, the rights of criminal defendants and terrorists. He did what he had to do. This made him a less predictable justice than many supposed.

More often, the document said nothing at all about some modern obsession: torture, abortion, discrimination. But then such matters, as Justice Scalia kept saying, were never meant to be settled by an unelected committee of nine; they were meant to be resolved by the people, through legislation. If he were a king, as his swagger and opera-singing occasionally suggested, he would stretch the constitution any way he wanted. In fact, as he admitted with a grin, it handcuffed him.

Not nearly enough, some people thought. His colleagues quailed when, in 1986, he first sat on the court as a brash 50-year-old whose experience had been mostly as a combative government lawyer: a justice who, in that sanctum of columns and deep judicial silence, was suddenly firing questions like grapeshot. (As the product of a Jesuit military academy, as well as an originalist, he loved to evoke cannon and muskets, and much enjoyed duck-shooting; he talked of tracking truth like a hunter in the forest, and was pleased to rule, in *District of Columbia v Heller*, that the Second Amendment did indeed mean that individuals had the right to bear handguns.) Though he was not the only New Yorker on the bench, he was the only spoiled-rotten Italian kid brought up proud and scrapping in Queens and familiar with rude Sicilian gestures. "Come right back at you!" was his motto, robed or not.

Family-fond (nine children!), gregarious and funny, he got on with his colleagues, and made a surprising best buddy of the court's chief liberal, Ruth Bader Ginsburg. But he spared no ammunition in dissent. As early as 2003, when *Lawrence v Texas* struck down sodomy laws, the majority had "signed on to the...homosexual agenda". In 2015, when the court narrowly saved Obamacare, "We should [call] this law SCOTUScare." He never tried for consensus, not rating it anyway, and increasingly sat with the minority, though always the most colourful and quotable.

Facing down the Devil

He spent three decades on the court, relishing every minute, and liking it even better when he could kick shins in public. Looking back, what pleased him most was to see more attention paid to text, legislative precedent sliding out, and far more questions from the bench: all his doing. He could detect, though, no fading of the fashion to force the constitution ever further into modern life. After abortion and same-sex marriage, why not assisted dying? The stalwart Catholic in him was revolted at the thought. He knew for certain, though, that the Framers were on his side; the Devil was on the other; and that heaven was his portion, for he was always right. ■